

# **NAMA KHOI**

## **MUNICIPALITY**



## **FINANCIAL STATEMENTS**

**30 JUNE 2020**

# NAMA KHOI MUNICIPALITY

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# NAMA KHOI MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Nama Khoi Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Nama Khoi Municipality includes the towns of Springbok, Concordia, Okiep, Steinkopf, Nababeep, Carolusberg, Vioolsdrift, Rooiwal, Goodhouse and Komaggas.

#### EXECUTIVE MAYOR

RJ Cloete

#### SPEAKER

CV Petersen

#### MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor

Speaker

Executive Councillor

Executive Councillor

RJ Cloete

CV Petersen

S Kleinbooi

WS Jordaan

#### MUNICIPAL MANAGER

SA Tatas-Titus

#### CHIEF FINANCIAL OFFICER

H Cloete (Acting)

#### REGISTERED OFFICE

Private Bag X17

SPRINGBOK

8240

#### AUDITORS

Office of the Auditor-General (Northern Cape)

Private Bag X5013

KIMBERLEY

8300

#### PRINCIPLE BANKERS

ABSA Bank

#### ATTORNEYS

Neville Cloete Attorneys

Webber Wentzel

Duncan J Britz Attorneys

Shreuders Attorneys

Werkman Attorneys

Bouwer & Kie

# NAMA KHOI MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### GENERAL INFORMATION

#### RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)  
Collective Agreements  
Division of Revenue Act  
Electricity Act (Act no 41 of 1987)  
Employment Equity Act (Act no 55 of 1998)  
Housing Act (Act no 107 of 1997)  
Infrastructure Grants  
Municipal Budget and Reporting Regulations  
Municipal Finance Management Act (Act no 56 of 2003)  
Municipal Planning and Performance Management Regulations  
Municipal Property Rates Act (Act no 6 of 2004)  
Municipal Regulations on Standard Chart of Accounts  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Systems Amendment Act (Act no 7 of 2011)  
SALBC Leave Regulations  
Skills Development Levies Act (Act no 9 of 1999)  
Supply Chain Management Regulations, 2005  
The Income Tax Act  
Unemployment Insurance Act (Act no 30 of 1966)  
Value Added Tax Act  
Water Services Act (Act no 108 of 1997)

#### MEMBERS OF THE NAMA KHOI MUNICIPALITY

##### WARD

1  
2  
3  
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9  
Proportional  
Proportional  
Proportional  
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Proportional  
Proportional

##### COUNCILLOR

JE van den Heever  
DA Markus  
CE Gertze  
R Kritzinger  
S Kleinbooi  
CG Coetzee  
YL van Zyl  
P van Reenen  
GY Pieters  
LF Faber (Resigned 19/11/2019)  
RJ Cloete (Appointed 20/11/2019)  
ZP de Jongh  
LL Vries  
SH Ruiter  
WS Jordaan  
GJ Coetzee  
W Van Schalkwyk  
ML Isaacs (Resigned 04/11/2019)  
CV Petersen (Appointed 08/11/2019)

# NAMA KHOI MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2020, which are set out on pages 5 to 99 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board. As per Government Gazette no. 43582 dated 5 August 2020, National Treasury has granted municipalities a two-month extension regarding the submission of annual financial statements. The municipality has taken advantage of this exemption.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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SA Tatas-Titus  
**Municipal Manager**

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**Date**

**NAMA KHOI MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020**

	Notes	2020 R	2019 R
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>1 025 739 090</b>	<b>1 059 340 426</b>
Property, Plant and Equipment	2	722 560 978	754 410 715
Investment Property	3	301 629 043	303 372 500
Intangible Assets	4	64 800	72 942
Heritage Assets	5	1 484 269	1 484 269
<b>Current Assets</b>		<b>103 216 175</b>	<b>81 959 998</b>
Inventory	8	1 099 052	966 469
Receivables from Exchange Transactions	9	22 504 785	21 594 291
Receivables from Non-exchange Transactions	10	11 537 273	8 788 037
Operating Lease Asset	7.1	4 045	26 464
Taxes	20.3	25 483 471	21 093 132
Cash and Cash Equivalents	11.1	42 560 544	29 464 599
Short-term Investments	11.2	27 006	27 006
<b>Total Assets</b>		<b>1 128 955 265</b>	<b>1 141 300 424</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-Current Liabilities</b>		<b>47 385 767</b>	<b>47 182 507</b>
Long-term Borrowings	12	3 406 419	7 547 178
Non-current Provisions	13	15 000 347	16 206 744
Non-current Employee Benefits	14	28 979 000	23 428 584
<b>Current Liabilities</b>		<b>427 267 272</b>	<b>344 563 618</b>
Consumer Deposits	15	3 419 314	3 294 373
Provisions	16	33 917 188	31 047 598
Current Employee Benefits	17	11 731 312	9 543 206
Trade and Other Payables from Exchange Transactions	18	352 554 583	284 287 577
Unspent Transfers and Subsidies	19	21 483 878	12 727 195
Current Portion of Long-term Borrowings	12	4 160 996	3 663 670
<b>Total Liabilities</b>		<b>474 653 039</b>	<b>391 746 125</b>
<b>Net Assets</b>		<b>654 302 226</b>	<b>749 554 299</b>
Accumulated Surplus/(Deficit)		654 302 226	749 554 299
<b>Total Net Assets and Liabilities</b>		<b>1 128 955 265</b>	<b>1 141 300 424</b>

**NAMA KHOI MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 R	2019 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>120 323 592</b>	<b>135 852 090</b>
<b>Taxation Revenue</b>		<b>51 321 993</b>	<b>47 470 760</b>
Property Rates	21	51 321 993	47 470 760
<b>Transfer Revenue</b>		<b>67 087 316</b>	<b>79 272 077</b>
Government Grants and Subsidies	22	67 087 316	79 210 781
Contributed Property, Plant and Equipment	23	-	61 296
<b>Other Revenue</b>		<b>1 914 283</b>	<b>9 109 252</b>
Actuarial Gains	14	-	4 558 829
Availability Charges	24	431 572	404 516
Fines, Penalties and Forfeits		434 533	589 497
Interest Earned - Non-exchange Transactions		37 552	2 276 707
Licences and Permits	25	1 010 625	1 279 703
<b>Revenue from Exchange Transactions</b>		<b>160 252 117</b>	<b>145 606 012</b>
Service Charges	26	140 895 265	131 098 889
Sales of Goods and Rendering of Services	27	639 356	636 598
Rent on Land	28	1 090 363	1 001 144
Rental from Fixed Assets	29	3 299 984	2 258 569
Interest Earned - External Investments	30	2 007 583	1 778 151
Interest Earned - Exchange Transactions	31	11 816 312	8 322 000
Agency Services		226 101	244 284
Operational Revenue	32	277 152	266 377
<b>Total Revenue</b>		<b>280 575 710</b>	<b>281 458 102</b>
<b>EXPENDITURE</b>			
Employee related costs	33	(94 231 201)	(85 976 830)
Remuneration of Councillors	34	(6 210 380)	(5 985 148)
Depreciation and Amortisation	35	(43 162 549)	(43 488 745)
Actuarial Losses	14	(3 802 556)	-
Finance Costs	36	(17 107 345)	(12 471 401)
Bulk Purchases	37	(124 349 346)	(106 545 716)
Inventory Consumed	8.1	(7 044 112)	(10 209 222)
Operational Costs	38	(35 850 831)	(35 110 006)
<b>Total Expenditure</b>		<b>(331 758 320)</b>	<b>(299 787 067)</b>
<b>Operating Surplus/(Deficit) for the Year</b>		<b>(51 182 610)</b>	<b>(18 328 965)</b>
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	8.2	(562 114)	(388 183)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	39	(41 429 663)	(39 066 593)
Gains/(Loss) on Sale of Fixed Assets	40	(2 077 686)	(13 361)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(95 252 073)</b>	<b>(57 797 102)</b>

# NAMA KHOI MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Capital Replacement Reserve R	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance at 1 July 2018</b>	-	<b>536 239 832</b>	<b>536 239 832</b>
Correction of Error - Note 42.9	-	271 111 569	271 111 569
<b>Restated balance</b>	-	<b>807 351 401</b>	<b>807 351 401</b>
Net Surplus/(Deficit) for the year	-	(57 797 102)	(57 797 102)
Net Surplus/(Deficit) previously reported	-	(59 659 754)	(59 659 754)
Effects of Correction of Errors - Note 42.10	-	1 862 651	1 862 651
<b>Restated balance</b>	-	<b>749 554 298</b>	<b>749 554 298</b>
Net Surplus/(Deficit) for the year	-	(95 252 073)	(95 252 073)
<b>Balance at 30 June 2020</b>	-	<b>654 302 226</b>	<b>654 302 226</b>



# NAMA KHOI MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts			
Taxation		37 228 245	43 089 065
Service Charges		120 993 884	113 113 542
Other Revenue		21 900 534	5 507 411
Government - Operating		75 844 000	47 250 177
Government - Capital		-	31 285 000
Interest		2 007 583	1 778 151
Cash payments			
Suppliers and Employees		(218 007 617)	(185 026 260)
Finance Charges		(13 225 546)	(12 648 706)
Transfers and Grants		-	-
<b>Net Cash from Operating Activities</b>	<b>43</b>	<b>26 741 081</b>	<b>44 348 380</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(11 606 557)	(39 832 665)
Purchase of Intangible Assets		(25 289)	(36 371)
<b>Net Cash from Investing Activities</b>		<b>(10 126 647)</b>	<b>(39 869 036)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowing - Long term/Refinancing		-	12 123 378
Increase/(Decrease) in Consumer Deposits		124 942	168 143
Repayment of Borrowing		(3 643 432)	(932 768)
<b>Net Cash from Financing Activities</b>		<b>(3 518 490)</b>	<b>11 358 753</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>13 095 944</b>	<b>15 838 098</b>
Cash and Cash Equivalents at the beginning of the year		29 491 605	13 653 507
Cash and Cash Equivalents at the end of the year	<b>44</b>	<b>42 587 550</b>	<b>29 491 605</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>13 095 945</b>	<b>15 838 098</b>

**NAMA KHOI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020**

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2020 R	%
ASSETS									
Current Assets									
		3 443 855	3 619 320	7 063 175	-	-	7 063 175	42 560 544	502.57%
	Call Investment Deposits	-	-	-	-	-	-	27 006	100.00%
	Consumer Debtors	11 953 233	(5 244 213)	6 709 020	-	-	6 709 020	22 504 785	235.44%
	Other Debtors	14 993 241	(10 294 241)	4 699 000	-	-	4 699 000	37 024 788	687.93%
	Current Portion of long-term receivables	-	-	-	-	-	-	-	
	Inventory	31 187 785	(200 929)	30 986 856	-	-	30 986 856	1 099 052	-96.45%
Total Current Assets	47.2.1	61 578 114	(12 120 063)	49 458 051	-	-	49 458 051	103 216 175	108.69%
Non-Current Assets									
	Long-term Receivables	-	-	-	-	-	-	-	
	Investments	-	-	-	-	-	-	-	
	Investment Property	123 444 704	-	123 444 704	-	-	123 444 704	301 629 043	144.34%
	Investment in Associates	-	-	-	-	-	-	-	
	Property, Plant and Equipment	639 079 568	5 303 171	644 382 739	-	-	644 382 739	722 560 978	12.13%
	Agricultural Assets	-	-	-	-	-	-	-	
	Biological Assets	-	-	-	-	-	-	-	
	Intangible Assets	11 491	53 509	65 000	-	-	65 000	64 800	-0.31%
	Other Non-Current Assets	1 038 554	-	1 038 554	-	-	1 038 554	1 484 269	42.92%
Total Non-Current Assets	47.2.2	763 574 317	5 356 680	768 930 997	-	-	768 930 997	1 025 739 090	33.40%
TOTAL ASSETS		825 152 431	(6 763 383)	818 389 048	-	-	818 389 048	1 128 955 265	37.95%
LIABILITIES									
Current Liabilities									
	Bank Overdraft	-	-	-	-	-	-	-	
	Borrowing	5 390 383	(5 390 383)	-	-	-	-	4 160 996	100.00%
	Consumer Deposits	3 213 840	38 160	3 252 000	-	-	3 252 000	3 419 314	5.14%
	Trade and Other Payables	126 751 211	119 630 104	246 381 315	-	-	246 381 315	374 038 461	51.81%
	Provisions	23 902 062	(18 593 062)	5 309 000	-	-	5 309 000	45 648 500	759.83%
Total Current Liabilities	47.2.3	159 257 496	95 684 819	254 942 315	-	-	254 942 315	427 267 272	67.59%
Non-Current Liabilities									
	Borrowing	129 296 394	(129 296 394)	-	-	-	-	3 406 419	100.00%
	Provisions	47 882 621	(1 631 621)	46 251 000	-	-	46 251 000	43 979 348	-4.91%
Total Non-Current Liabilities	47.2.4	177 179 015	(130 928 015)	46 251 000	-	-	46 251 000	47 385 767	2.45%
TOTAL LIABILITIES		336 436 511	(35 243 196)	301 193 315	-	-	301 193 315	474 653 039	57.59%
NET ASSETS									
	Accumulated Surplus/(Deficit)	488 715 920	28 479 813	517 195 733	-	-	517 195 733	654 302 226	26.51%
	Reserves	-	-	-	-	-	-	-	
TOTAL NET ASSETS	47.2.5	488 715 920	28 479 813	517 195 733	-	-	517 195 733	654 302 226	26.51%

**NAMA KHOI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2020 R	%
REVENUE									
Property Rates		48 299 939	(5 065 979)	43 233 960	-	-	43 233 960	51 321 993	18.71%
Service Charges - Electricity Revenue		94 192 965	20 000	94 212 965	-	-	94 212 965	84 892 647	-9.89%
Service Charges - Water Revenue		36 308 961	-	36 308 961	-	-	36 308 961	31 090 063	-14.37%
Service Charges - Sanitation Revenue		11 937 733	-	11 937 733	-	-	11 937 733	11 378 456	-4.68%
Service Charges - Refuse Revenue		14 345 192	-	14 345 192	-	-	14 345 192	13 534 099	-5.65%
Rental of Facilities and Equipment		1 343 780	(357)	1 343 423	-	-	1 343 423	3 299 984	145.64%
Interest Earned - External Investments		1 315 409	-	1 315 409	-	-	1 315 409	2 007 583	52.62%
Interest Earned - Outstanding Debtors		7 402 547	-	7 402 547	-	-	7 402 547	11 853 864	60.13%
Dividends Received		-	-	-	-	-	-	-	-
Fines		212 499	-	212 499	-	-	212 499	434 533	104.49%
Licences and Permits		1 524 491	(64 882)	1 459 609	-	-	1 459 609	1 010 625	-30.76%
Agency Services		1 225 496	-	1 225 496	-	-	1 225 496	226 101	-81.55%
Transfers Recognised - Operational		60 008 347	(651 739)	59 356 608	-	-	59 356 608	52 662 581	-11.28%
Other Revenue		2 195 842	(27 038)	2 168 804	-	-	2 168 804	2 438 444	12.43%
Gains on Disposal of PPE		-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	47.2.6	280 313 201	(5 789 995)	274 523 206	-	-	274 523 206	266 150 974	-3.05%
EXPENDITURE									
Employee Related Costs		95 623 016	150 170	95 773 186	-	-	95 773 186	94 231 201	-1.61%
Remuneration of Councillors		6 398 904	255 955	6 654 859	-	-	6 654 859	6 210 380	-6.68%
Debt Impairment		19 601 186	-	19 601 186	-	-	19 601 186	41 429 663	111.36%
Depreciation and Asset Impairment		39 424 653	-	39 424 653	-	-	39 424 653	43 162 549	9.48%
Finance Charges		2 556 879	-	2 556 879	-	-	2 556 879	17 107 345	569.07%
Bulk Purchases		115 446 012	(10 000 000)	105 446 012	-	-	105 446 012	124 349 346	17.93%
Other Materials		9 599 344	(2 845 915)	6 753 429	-	-	6 753 429	7 044 112	4.30%
Contracted Services		30 436 645	(8 659 584)	21 777 061	-	-	21 777 061	-	-100.00%
Transfers and Grants		-	-	-	-	-	-	-	-
Other Expenditure		29 206 033	(2 905 537)	26 300 496	-	-	26 300 496	40 215 501	52.91%
Loss on Disposal of PPE		-	-	-	-	-	-	2 077 686	-
Total Expenditure	47.2.7	348 292 672	(24 004 911)	324 287 761	-	-	324 287 761	375 827 782	15.89%
Surplus/(Deficit)		(67 979 471)	18 214 916	(49 764 555)	-	-	(49 764 555)	(109 676 808)	120.39%
Transfers Recognised - Capital		27 535 653	(1 493 261)	26 042 392	-	-	26 042 392	14 424 736	-44.61%
Contributions Recognised - Capital		-	-	-	-	-	-	-	-
Contributed Assets		-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers & Contributions		(40 443 818)	16 721 655	(23 722 163)	-	-	(23 722 163)	(95 252 073)	301.53%
Taxation		-	-	-	-	-	-	-	-
Surplus/(Deficit) after Taxation		(40 443 818)	16 721 655	(23 722 163)	-	-	(23 722 163)	(95 252 073)	301.53%
Attributable to Minorities		-	-	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality		(40 443 818)	16 721 655	(23 722 163)	-	-	(23 722 163)	(95 252 073)	301.53%
Share of Surplus/(Deficit) of Associate		-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		(40 443 818)	16 721 655	(23 722 163)	-	-	(23 722 163)	(95 252 073)	301.53%

**NAMA KHOI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds  (i.t.o. s31 of the MFMA)	Virement  (i.t.o. Council approved by- law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2020 R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
	Taxation	43 469 945	(2 395 946)	41 073 999	-	-	41 073 999	37 228 245	-9.36%
	Service Charges	141 106 366	14 871 634	155 978 000	-	-	155 978 000	120 993 884	-22.43%
	Other Revenue	4 304 399	2 094 600	6 398 999	-	-	6 398 999	21 900 534	242.25%
	Government - Operating	59 486 608	1 026 124	60 512 732	-	-	60 512 732	75 844 000	25.34%
	Government - Capital	24 057 392	3 478 608	27 536 000	-	-	27 536 000	-	-100.00%
	Interest	5 101 571	(3 786 162)	1 315 409	-	-	1 315 409	2 007 583	52.62%
	Dividends	-	-	-	-	-	-	-	
Payments									
	Suppliers and Employees	(250 926 948)	676 761	(250 250 187)	-	-	(250 250 187)	(218 007 617)	-12.88%
	Finance costs	(2 237 766)	(319 234)	(2 557 000)	-	-	(2 557 000)	(13 225 546)	417.23%
	Transfers and Grants	-	-	-	-	-	-	-	
Net Cash from/(used) Operating Activities	47.2.8	24 361 567	15 646 385	40 007 952	-	-	40 007 952	26 741 081	-33.16%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
	Proceeds on disposal of PPE	-	-	-	-	-	-	-	
	Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	
	Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	
	Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	
Payments									
	Capital Assets	(29 008 653)	1 643 261	(27 365 392)	-	-	(27 365 392)	(10 126 647)	-62.99%
Net Cash from/(used) Investing Activities	47.2.9	(29 008 653)	1 643 261	(27 365 392)	-	-	(27 365 392)	(10 126 647)	-62.99%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
	Short Term Loans	-	-	-	-	-	-	-	
	Borrowing long term/refinancing	-	-	-	-	-	-	-	
	Increase/(Decrease) in Consumer Deposits	87 610	-	87 610	-	-	87 610	124 942	42.61%
Payments									
	Repayment of Borrowing	(4 611 546)	4 611 546	-	-	-	-	(3 643 432)	-100.00%
Net Cash from/(used) Financing Activities	47.2.10	(4 523 936)	4 611 546	87 610	-	-	87 610	(3 518 490)	-4116.07%
NET INCREASE/(DECREASE) IN CASH HELD									
	Cash and Cash Equivalents at the year begin:	(9 171 022)	21 901 192	12 730 170	-	-	12 730 170	13 095 944	2.87%
		12 614 877	(18 281 877)	(5 667 000)	-	-	(5 667 000)	29 491 605	-620.41%
	Cash and Cash Equivalents at the year end:	3 443 855	3 619 315	7 063 170	-	-	7 063 170	42 587 549	502.95%

**NAMA KHOI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**NAMA KHOI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.3, on which the municipality was required to transacted for periods after 1 July 2019. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2019 audited amounts are set out in note 51 of the annual financial statements.

**1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2018/19 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
<b>GRAP 34 (Revised – April 2020)</b>	<p><b><u>Separate Financial Statements</u></b></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>GRAP 35 (Revised – April 2020)</b>	<p><b><u>Consolidated Financial Statements</u></b></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>GRAP 36 (Revised – April 2020)</b>	<p><b><u>Investments in Associates and Joint Ventures</u></b></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p>	1 April 2020

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

REFERENCE	TOPIC	EFFECTIVE DATE
	No significant impact expected as no such transactions or events are expected in the foreseeable future.	
<b>GRAP 37 (Revised – April 2020)</b>	<p><b><u>Joint Arrangements</u></b></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>GRAP 38 (Revised - April 2020)</b>	<p><b><u>Disclosure of Interest in Other Entities</u></b></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>GRAP 104 (Revised – April 2020)</b>	<p><b><u>Financial Instruments</u></b></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p>	Unknown
<b>GRAP 110 (Revised – April 2020)</b>	<p><b><u>Living and non-living resources</u></b></p> <p>The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>IGRAP 20</b>	<p><b><u>Accounting for Adjustments on Revenue</u></b></p> <p>The Interpretation clarifies the accounting for adjustments to:</p> <p>a) exchange and non-exchange revenue charged in terms of legislation or similar means; and</p> <p>b) interest and penalties that arise from revenue already recognised</p>	1 April 2020



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

REFERENCE	TOPIC	EFFECTIVE DATE
	as a result of the completion of a review, appeal, or objection process.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9. RESERVES**

### **1.9.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

## **1.10. LEASES**

### **1.10.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense

**NAMA KHOI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.10.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

**1.11. BORROWING COST**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.14. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.15. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

#### **1.16. EMPLOYEE BENEFITS**

##### ***(a) Pension and Retirement Fund Obligations***

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

**(b) *Post-Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) *Long Service Awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**(d) Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**(e) Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

**(f) Other Short-term Employee Benefits**

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

**1.17. PROPERTY, PLANT AND EQUIPMENT**

**1.17.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

**1.17.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.17.3. Depreciation and Impairment**

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

<b><u>Land and Buildings</u></b>	<b><u>Years</u></b>
Land	Indefinite
Buildings	5 - 60

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**Infrastructure**

Roads and Streets	5 - 80
Storm Water	5 - 80
Electricity	10 - 60
Water	5 - 80
Sanitation	10 - 60
Waste Management	5 - 80
Other	30

**Community**

Recreation Facilities	10 - 60
Community Facilities	10 - 60

**Finance lease assets**

Office equipment	3 - 5
Other assets	2 - 5

**Other**

Motor Vehicles	5 - 15
Furniture and other Office equipment	5 - 15
Furniture and fittings	5 - 15
Plant and Equipment	2 - 15
Computer equipment	3 - 10

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.



**NAMA KHOI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**1.17.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007. Where it was impractical to determine depreciated replacement cost on GRAP implementation date, 1 July 2013 was used.

**1.18. INTANGIBLE ASSETS**

**1.18.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**1.18.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.18.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	2-5
Computer Software Licenses	2-5

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**1.18.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the

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asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.18.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.19. INVESTMENT PROPERTY**

**1.19.1. Initial Recognition**

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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**1.19.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.19.3. Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	10-50

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**1.19.4. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.19.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. Where it was impractical to determine depreciated replacement cost on GRAP implementation date, 1 July 2013 was used.

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**1.20. HERITAGE ASSETS**

***1.20.1. Initial Recognition***

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

***1.20.2. Subsequent Measurement – Cost Model***

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

***1.20.3. Depreciation and Impairment***

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

***1.20.4. De-recognition***

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

***1.20.5. Application of deemed cost (Directive 7)***

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011. Where it was impractical

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to determine depreciated replacement cost on GRAP implementation date, 1 July 2020 was used, as there is no comparable information available that reflect market conditions on GRAP Implementation date. Given the nature of the heritage collection, management expect no significant change in fair values between GRAP Implementation date and the date of valuation.

**1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.21.1. *Cash generating assets***

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.21.2. *Non-cash-generating assets***

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:



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(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the



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remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.22. NON-CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.23. INVENTORIES**

**1.23.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.23.2. Subsequent Measurement**

Inventories, consisting of consumable stores, land, materials and supplies and water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by Telemetry readings and the calculated volume in the distribution network. Where telemetry reading is not available, water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

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Cost of land held for sale is assigned by using specific identification of their individual costs.

**1.24. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.24.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.24.2. Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.24.2.1. Receivables**

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future

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expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.24.2.2. *Payables and Annuity Loans***

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.24.2.3. *Cash and Cash Equivalents***

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.24.2.4. *Non-Current Investments***

Investments and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.24.3. De-recognition**

**1.24.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.24.3.2. Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.24.4. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**1.25. STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

**1.25.1. Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

**1.25.2. Subsequent Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects

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the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

**1.25.3. Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - i. derecognise the receivable; and
  - ii. recognise separately any rights and obligations created or retained in the transfer.

**1.25.4. Transitional Provisions**

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

**1.26. REVENUE**

**1.26.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.



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Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

**1.26.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**1.27. ACCOUNTING BY PRINCIPALS AND AGENTS**

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

**Identification**

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

**1.28. SERVICE CONCESSION ARRANGEMENTS: (Municipality as grantor)**

**Identification**

Service concession arrangements of the municipality include the provision of mandated functions on behalf of the municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

**Initial Recognition**

Service concession assets are measured initially at fair value except where the assets are existing assets of the municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

The service concession liability is recognised and initially measured at:

- The same amount as the service concession asset,
- Adjusted by the amount of any other consideration (e.g., cash) from the municipality to the operator, or from the operator to the municipality.

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**Subsequent Measurement**

The municipality initially measures the service concession asset at fair value if it is not an existing asset of the municipality.

After initial recognition, the municipality applies the measurement (including impairment) and derecognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment, Intangible Assets or Heritage Assets.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the municipality accounts for the liability as a financial liability.

The municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the service concession liability, a finance charge, and charges for services provided by the operator.

**Other Liabilities, Contingent Liabilities, Contingent Assets and Revenue**

The municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial Instruments.

The municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from Exchange Transactions.

**Dividing the arrangement**

When the municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

**Recognition of the performance obligation and the right to receive a significant interest in a service concession asset**

Where the municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the municipality recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of the service concession arrangement reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**1.29. TRANSFER OF FUNCTIONS (Municipality as acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

**1.30. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.



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Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

### **1.31. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**1.32. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.33. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.34. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

**1.35. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

***Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 14 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Impairment of Statutory Receivables***

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding,

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

***Revenue Recognition***

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.36. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.37. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**1.38. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2020

Reconciliation of Carrying Value							
	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
<b>Carrying Value at 1 July 2019</b>	106 109 381	16 807 705	598 092 233	19 815 098	11 145 541	2 440 756	754 410 715
<b>Cost</b>	106 109 381	26 500 263	1 198 443 232	58 427 391	12 136 661	14 010 868	1 415 627 796
<b>Accumulated Depreciation and Impairment Losses</b>	-	(9 692 558)	(600 350 999)	(38 612 293)	(991 120)	(11 570 112)	(661 217 081)
<b>Acquisitions</b>	-	-	11 247 156	-	-	359 401	11 606 557
<b>Depreciation</b>	-	(1 202 934)	(34 390 439)	(2 237 856)	(4 049 277)	(1 010 353)	(42 890 859)
Normal Depreciation	-	(1 202 934)	(34 390 439)	(2 237 856)	(4 049 277)	(1 010 353)	(42 890 859)
Backlog Depreciation	-	-	-	-	-	-	-
<b>Carrying value of disposals</b>	-	-	(565 434)	-	-	-	(565 434)
Cost	-	-	(565 434)	-	-	-	(565 434)
Accumulated Depreciation	-	-	-	-	-	-	-
<b>Carrying Value at 30 June 2020</b>	106 109 381	15 604 771	574 383 516	17 577 243	7 096 264	1 789 804	722 560 979
<b>Cost</b>	106 109 381	26 500 263	1 209 124 955	58 427 391	12 136 661	14 370 269	1 426 668 919
<b>Accumulated Depreciation and Impairment Losses</b>	-	(10 895 492)	(634 741 438)	(40 850 149)	(5 040 397)	(12 580 465)	(704 107 941)

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

2.2 30 JUNE 2019

Reconciliation of Carrying Value							
	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
<b>Carrying Value at 1 July 2018</b>	106 109 381	18 244 899	608 463 586	22 159 232	112 200	2 897 275	757 986 574
<b>Cost</b>	106 109 381	26 500 263	1 171 177 502	58 427 391	604 188	13 570 256	1 376 388 981
Original Cost	14 052 373	28 228 528	1 171 990 400	58 427 391	604 188	13 570 256	1 286 873 136
Correction of Error - Note 42.1	92 057 008	(1 728 265)	(812 898)	-	-	-	89 515 845
<b>Accumulated Depreciation and Impairment Losses</b>	-	(8 255 364)	(562 713 916)	(36 268 159)	(491 989)	(10 672 980)	(618 402 407)
Original Cost	-	(9 997 699)	(562 713 916)	(36 268 159)	(491 989)	(10 672 980)	(620 144 743)
Correction of Error - Note 42.1	-	1 742 335	-	-	-	-	1 742 335
<b>Acquisitions</b>	-	-	7 603 284	-	12 123 378	443 557	20 170 218
Original Cost	-	-	7 603 284	-	12 123 378	443 557	20 170 218
<b>Contributed PPE</b>	-	-	-	-	-	61 296	61 296
<b>Capital under Construction</b>	-	-	19 662 447	-	-	-	19 662 447
Original Cost	-	-	19 662 447	-	-	-	19 662 447
<b>Depreciation</b>	-	(1 437 194)	(37 637 083)	(2 344 134)	(1 086 307)	(955 426)	(43 460 143)
Normal Depreciation	-	(1 032 424)	(37 637 083)	(2 344 134)	(1 086 307)	(955 426)	(43 055 373)
Backlog Depreciation previously not recorded - Note 42.1	-	(404 770)	-	-	-	-	(404 770)
<b>Carrying value of disposals</b>	-	-	-	-	(3 730)	(5 946)	(9 675)
Cost	-	-	-	-	(590 905)	(64 240)	(655 145)
Accumulated Depreciation	-	-	-	-	587 175	58 294	645 470
<b>Carrying Value at 30 June 2019</b>	106 109 381	16 807 705	598 092 233	19 815 098	11 145 541	2 440 756	754 410 715
<b>Cost</b>	106 109 381	26 500 263	1 198 443 232	58 427 391	12 136 661	14 010 868	1 415 627 796
<b>Accumulated Depreciation and Impairment Losses</b>	-	(9 692 558)	(600 350 999)	(38 612 293)	(991 120)	(11 570 112)	(661 217 081)



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>2.3 Property, Plant and Equipment which is in the process of being constructed or developed:</b>		
Infrastructure Assets	14 050 421	39 305 653
Roads	4 180 139	3 018 031
Storm Water	-	-
Electricity	9 230 685	8 491 139
Water Supply	639 597	2 855 361
Sanitation	-	24 941 122
Solid Waste	-	-
Rail	-	-
Coastal	-	-
Information and Communication	-	-
Community Assets		
Other Assets	121 845	
<b>Total Property, Plant and Equipment under construction</b>	<b>14 172 266</b>	<b>39 305 653</b>
The movements for the year can be reconciled as follows:		
Balance at beginning of year	39 305 653	20 712 543
Correction of Error - Note 42.1	-	(812 898)
	39 305 653	19 899 644
Expenditure during the year	11 247 156	27 009 293
Assets unbundled during the year	(35 824 691)	(7 603 284)
Impairment recognised during the year	(555 853)	-
<b>Balance at end of year</b>	<b>14 172 266</b>	<b>39 305 653</b>
<b>2.4 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:</b>		
Infrastructure Assets	12 932 123	1 812 898
Roads	4 180 139	400 992
Storm Water	-	411 906
Electricity	8 751 984	1 000 000
<b>Total</b>	<b>12 932 123</b>	<b>1 812 898</b>
The project is taking longer than expected due to reprioritisation of projects and insufficient funds to complete the project in current year.		
<b>2.5 Expenditure incurred to repair and maintain Property, Plant and Equipment:</b>		
Employee related costs	-	-
Other materials	2 405 975	5 685 924
Contracted Services	7 682 194	3 379 087
Other Expenditure	-	3 379 087
<b>Total Repairs and Maintenance</b>	<b>10 088 169</b>	<b>12 444 098</b>
<b>2.6 Assets pledged as security:</b>		
Leased Property, Plant and Equipment of R 7 567 415 (2019: R11 050 316) is secured for leases as set out in Note 12.		
<b>2.7 Contractual commitments for acquisition of Property, Plant and Equipment:</b>		
Approved and contracted for:	1 992 088	7 871 170
Infrastructure	1 992 088	7 871 170
Community	-	-
Other	-	-
<b>Total</b>	<b>1 992 088</b>	<b>7 871 170</b>
This expenditure will be financed from:		
External Loans	-	-
Capital Replacement Reserve	-	-
Government Grants	1 992 088	7 871 170
Own Resources	-	-
District Council Grants	-	-
<b>Total</b>	<b>1 992 088</b>	<b>7 871 170</b>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>3. INVESTMENT PROPERTY</b>		
<b>3.1 Net Carrying amount at 1 July</b>	<b>303 372 500</b>	<b>303 372 500</b>
Cost	309 129 179	123 444 704
Accumulated Depreciation	(5 756 679)	-
Correction of Error - Note 42.2	-	185 684 475
Correction of Error - Note 42.2	-	(5 756 679)
Disposals	(1 505 199)	-
Depreciation for the year	(238 258)	-
<b>Net Carrying amount at 30 June</b>	<b>301 629 043</b>	<b>303 372 500</b>
Cost	307 623 980	309 129 179
Accumulated Depreciation	(5 994 937)	(5 756 679)
Accumulated Impairment Loss	-	-
<b>3.2 Revenue from Investment Property</b>		
Revenue derived from the rental of Investment Property	622 010	288 656

There is no Investment Property which is in the process of being constructed or developed.

There is no Investment Property that is taking a significantly longer period of time to complete than expected.

There is no Investment Property where construction or development has been halted.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2013 was used.

**4. INTANGIBLE ASSETS**

<b>4.1 Net Carrying amount at 1 July</b>	<b>72 942</b>	<b>65 156</b>
Cost	346 062	309 691
Accumulated Amortisation	(273 120)	(244 535)
Additions	25 289	36 371
Amortisation	(33 431)	(28 585)
<b>Net Carrying amount at 30 June</b>	<b>64 800</b>	<b>72 942</b>
Cost	371 351	346 062
Accumulated Amortisation	(306 551)	(273 120)

There are no Intangible Assets which is in the process of being constructed or developed.

There are no Intangible Assets that is taking a significantly longer period of time to complete than expected.

There are no Intangible Assets where construction or development has been halted.

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>5. HERITAGE ASSETS</b>		
<b>5.1 Net Carrying amount at 1 July</b>	<b>1 484 269</b>	<b>1 484 269</b>
Cost	1 484 269	1 038 799
Correction of Error - Note 42.3		445 470
Accumulated Impairment Loss	-	-
Additions	-	-
Disposals	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
<b>Net Carrying amount at 30 June</b>	<b>1 484 269</b>	<b>1 484 269</b>
Cost	1 484 269	1 484 269
Accumulated Impairment Loss	-	-
Cultural Artifacts	445 715	445 715
Historical Buildings	1 038 554	1 038 554
	<b>1 484 269</b>	<b>1 484 269</b>

The municipality has movable heritage assets located in the Namakwaland Museum. The municipality has determined the fair value of these items on 30 June 2020, as there are no comparable information available to reflect the same market conditions of these assets on GRAP Implementation date. Given the nature of the heritage collection, management expect no significant change in the fair values of these assets between GRAP Implementation date and date of valuation.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

There are no Heritage Assets which is in the process of being constructed or developed.

There are no Heritage Assets that is taking a significantly longer period of time to complete than expected.

There are no Heritage Assets where construction or development has been halted.

## 6. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS

Receivables with repay arrangements - At amortised cost	2 994 672	3 085 100
<b>Less:</b> Provision for Debt Impairment	(2 994 672)	(3 085 100)
<b>Total Non-Current Receivables from Exchange Transactions</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of Provision for Debt Impairment</b>		
Balance at beginning of year	3 085 100	3 594 795
Contribution to provision	-	-
VAT on provision	-	-
Reversal of provision	(90 429)	(509 695)
Balance at end of year	<b>2 994 672</b>	<b>3 085 100</b>

## 7. OPERATING LEASE ARRANGEMENTS

### 7.1 The Municipality as Lessor

Operating Lease Asset	4 045	26 464
<b>Disclosed as follows:</b>		
Non-Current Operating Lease Asset	4 045	26 464
Current Operating Lease Asset	<b>4 045</b>	<b>26 464</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>Reconciliation</b>		
Balance at the beginning of the year	26 464	53 361
Movement during the year	(22 419)	(26 897)
Balance at the end of the year	<b>4 045</b>	<b>26 464</b>

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	55 987	142 555
1 to 5 Years	-	55 987
More than 5 Years	-	-
<b>Total Operating Lease Arrangements</b>	<b>55 987</b>	<b>198 542</b>

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, fixed annual escalation rates and an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

## 8. INVENTORY

Consumables	688 979	646 602
Land	-	30 171 429
Materials and Supplies	133 715	74 482
Water	276 358	245 624
Correction of Error - Note 42.4	-	(30 171 670)
<b>Total Inventory</b>	<b>1 099 052</b>	<b>966 469</b>

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

### 8.1 Inventories recognise as an expense during the year:

Consumables	6 467 812	5 179 265
Materials and Supplies	576 300	5 029 716
Correction of Error - Note 42.10	-	240
<b>Total</b>	<b>7 044 112</b>	<b>10 209 222</b>

### 8.2 Inventories written down due to losses as identified during the annual stores counts:

Consumables	562 114	388 183
<b>Total</b>	<b>562 114</b>	<b>388 183</b>

No inventories were pledged as security for liabilities.

## 9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	64 322 102	52 058 839
Water	55 482 069	46 651 651
Property Rentals	3 518 620	2 947 541
Waste Management	31 507 859	26 005 304
Waste Water Management	14 639 641	12 497 832
Other Arrears	7 484 743	6 481 511
Correction of Error - Note 42.5	-	(1 883 256)
<b>Total: Receivables from exchange transactions (before provision)</b>	<b>176 955 034</b>	<b>144 759 421</b>
<b>Less:</b> Provision for Debt Impairment	(154 450 249)	(123 165 131)
<b>Total: Receivables from exchange transactions (after provision)</b>	<b>22 504 785</b>	<b>21 594 290</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	6 294 626	5 334 131
31 - 60 Days	2 440 323	1 291 354
61 - 90 Days	789 082	484 403
+ 90 Days	54 798 072	44 948 951
<b>Total</b>	<b>64 322 102</b>	<b>52 058 839</b>
<b><u>(Water): Ageing</u></b>		
Current (0 - 30 days)	4 876 647	2 894 261
31 - 60 Days	1 780 640	1 570 275
61 - 90 Days	954 089	984 174
+ 90 Days	47 870 694	41 202 941
<b>Total</b>	<b>55 482 069</b>	<b>46 651 651</b>
<b><u>(Property Rentals): Ageing</u></b>		
Current (0 - 30 days)	232 330	(14 128)
31 - 60 Days	264 798	421 392
61 - 90 Days	153 494	78 616
+ 90 Days	2 867 997	2 461 661
<b>Total</b>	<b>3 518 620</b>	<b>2 947 541</b>
<b><u>(Waste Management): Ageing</u></b>		
Current (0 - 30 days)	1 288 319	1 224 882
31 - 60 Days	803 827	686 278
61 - 90 Days	569 834	395 366
+ 90 Days	28 845 879	23 698 778
<b>Total</b>	<b>31 507 859</b>	<b>26 005 304</b>
<b><u>(Waste Water Management): Ageing</u></b>		
Current (0 - 30 days)	950 963	911 785
31 - 60 Days	556 267	447 362
61 - 90 Days	373 496	228 388
+ 90 Days	12 758 915	10 910 297
<b>Total</b>	<b>14 639 641</b>	<b>12 497 832</b>
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	148 681	110 924
31 - 60 Days	102 812	96 652
61 - 90 Days	75 260	62 565
+ 90 Days	7 157 990	6 211 370
<b>Total</b>	<b>7 484 743</b>	<b>6 481 511</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	13 791 565	10 461 855
31 - 60 Days	5 948 667	4 513 313
61 - 90 Days	2 915 255	2 233 512
+ 90 Days	154 299 547	129 433 997
<b>Total</b>	<b>176 955 034</b>	<b>146 642 677</b>
<b><u>Reconciliation of Provision for Debt Impairment</u></b>		
Balance at beginning of year	123 165 131	87 923 371
Contribution to provision	27 204 450	30 645 008
VAT on provision	4 080 668	4 596 751
Reversal of provision	-	-
Balance at end of year	<b>154 450 249</b>	<b>123 165 131</b>
The total amount of this provision is R154 450 249 and consist of:		
Services	154 450 249	123 165 131
Other Debtors	-	-
<b>Total Provision for Debt Impairment on Receivables from exchange transactions</b>	<b>154 450 249</b>	<b>123 165 131</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b><u>Ageing of amounts past due but not impaired:</u></b>		
1 month past due	5 948 667	4 513 313
2+ months past due	157 214 802	17 080 977
	<b>163 163 469</b>	<b>21 594 290</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

**10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Taxes - Rates	49 995 215	37 943 971
Availability Charges	2 080 056	-
Fines	2 162 449	1 865 924
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	414 945	414 945
Other Receivables	1 264 380	1 110 711
Correction of Error - Note 42.6	-	1 641 368
	55 917 046	42 976 919
<b>Less:</b> Provision for Debt Impairment	(44 379 774)	(34 188 882)
<b>Total Receivables from non-exchange transactions</b>	<b>11 537 273</b>	<b>8 788 037</b>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

**(Rates): Ageing**

Current (0 - 30 days)	3 989 731	2 779 998
31 - 60 Days	2 055 858	1 364 830
61 - 90 Days	1 108 065	641 517
+ 90 Days	42 841 562	33 157 626
<b>Total</b>	<b>49 995 216</b>	<b>37 943 971</b>

**(Availability Charges): Ageing**

Current (0 - 30 days)	49 628	28 708
31 - 60 Days	39 813	32 662
61 - 90 Days	35 772	30 874
+ 90 Days	1 954 844	1 623 739
<b>Total</b>	<b>2 080 056</b>	<b>1 715 983</b>

**Summary of Debtors (Rates) by Customer Classification**

	<b><u>Residential</u></b>	<b><u>Industrial/ Commercial</u></b>	<b><u>National and Provincial Government</u></b>	<b><u>Total</u></b>
<b>30 June 2020</b>				
Current (0 - 30 days)	2 393 683	1 180 109	415 938	3 989 731
31 - 60 Days	1 344 198	592 514	119 146	2 055 858
61 - 90 Days	718 329	369 521	20 214	1 108 065
+ 90 Days	33 045 692	8 178 522	1 617 348	42 841 562
Sub-total	37 501 903	10 320 666	2 172 646	49 995 216
<b>Less:</b> Provision for Debt Impairment				(44 379 774)
<b>Total debtors by customer classification</b>				<b>5 615 442</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

**Summary of Debtors (Rates) by Customer Classification**

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
<b>30 June 2019</b>				
Current (0 - 30 days)	2 084 501	706 726	(11 229)	2 779 998
31 - 60 Days	1 033 804	329 933	1 093	1 364 830
61 - 90 Days	471 461	169 569	487	641 517
+ 90 Days	27 877 861	5 158 046	121 719	33 157 626
Sub-total	31 467 627	6 364 274	112 070	37 943 971
<b>Less:</b> Provision for Debt Impairment				(32 363 746)
<b>Total debtors by customer classification</b>				<b>5 580 224</b>

**Reconciliation of Provision for Debt Impairment**

	<b>2020 R</b>	<b>2019 R</b>
Balance at beginning of year	34 188 882	25 274 570
Contribution to provision	10 190 892	8 914 312
Reversal of provision	-	-
Balance at end of year	<b>44 379 774</b>	<b>34 188 882</b>

The total amount of this provision is R44 379 774 and consist of:

Taxes	40 302 496	32 363 746
Availability Charges	1 961 236	-
Fines	2 116 042	1 825 136
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	<b>44 379 773</b>	<b>34 188 882</b>

**Ageing of amounts past due but not impaired:**

1 month past due	2 055 858	1 364 830
2+ months past due	43 949 626	2 390 259
	<b>46 005 485</b>	<b>3 755 089</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

**11. BANK ACCOUNTS****11.1 Cash and Cash Equivalents**

Current Accounts	15 622 201	8 278 981
Call Deposits and Investments	26 916 843	21 164 018
Cash Float	20 000	20 000
Cash On-hand	1 500	1 600
<b>Total Cash and Cash Equivalents - Assets</b>	<b>42 560 544</b>	<b>29 464 599</b>

**11.2 Short-term Investments**

Call Deposits	27 006	27 006
<b>Total Short-term Investments</b>	<b>27 006</b>	<b>27 006</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

Call Investments Deposits to an amount of R26 916 843 are held to fund the Unspent Conditional Grants (2019: R21 164 018).

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The municipality has the following bank accounts:		
<b><u>Current Accounts</u></b>		
ABSA Bank Limited - Account Number 4052704442 (Primary Bank Account):	(47 615 592)	8 278 981
NEDBANK Limited - Account Number 1192371690 (Primary Bank Account):	63 237 793	-
	<b>15 622 201</b>	<b>8 278 981</b>
<b><u>Call Deposits and Investments</u></b>		
ABSA Bank Limited - Account Number 9270778034 (Library):	(4 404)	850 000
ABSA Bank Limited - Account Number 9249138970 (FMG):	193 153	800 649
ABSA Bank Limited - Account Number 9233473372 (Land Sales):	3 061 677	2 407 268
ABSA Bank Limited - Account Number 9233471702 (MIG):	5 436 031	1 731 175
ABSA Bank Limited - Account Number 9233473306 (Housing):	2 248 827	300 949
ABSA Bank Limited - Account Number 9233472871 (DME):	(20 630)	5 428 265
ABSA Bank Limited - Account Number 9255092704 (NDFT):	550 000	550 000
ABSA Bank Limited - Account Number 9259915702 (MSIG):	975	975
ABSA Bank Limited - Account Number 9270780013 (EPWP):	259 151	1 000 939
ABSA Bank Limited - Account Number 9313614189 (ACIP):	14 146 939	1 063 308
ABSA Bank Limited - Account Number 9313614430 (LG SETA):	228 521	170 729
ABSA Bank Limited - Account Number 9338917532 (Drought Relief):	816 603	6 859 760
	<b>26 916 843</b>	<b>21 164 018</b>
Details of current accounts are as follow:		
<b><i>ABSA Bank Limited - Account Number 4052704442 (Primary Bank Account):</i></b>		
Cash book balance at beginning of year	8 278 981	(2 432 766)
Cash book balance at end of year	(47 615 592)	8 278 981
Bank statement balance at beginning of year	8 260 532	1 115 373
Bank statement balance at end of year	3 621 925	8 260 532
<b><i>NEDBANK Limited - Account Number 1192371690 (Primary Bank Account):</i></b>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	63 237 793	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	10 948 302	-
Details of call investment accounts are as follow:		
<b><i>ABSA Bank Limited - Account Number 9270778034 (Library):</i></b>		
Cash book balance at beginning of year	850 000	1 290 592
Cash book balance at end of year	(4 404)	850 000
Bank statement balance at beginning of year	850 000	1 290 592
Bank statement balance at end of year	-	850 000
<b><i>ABSA Bank Limited - Account Number 9249138970 (FMG):</i></b>		
Cash book balance at beginning of year	800 649	939
Cash book balance at end of year	193 153	800 649
Bank statement balance at beginning of year	800 649	939
Bank statement balance at end of year	193 153	800 649
<b><i>ABSA Bank Limited - Account Number 9233473372 (Land Sales):</i></b>		
Cash book balance at beginning of year	2 407 268	965 979
Cash book balance at end of year	3 061 677	2 407 268
Bank statement balance at beginning of year	2 407 268	965 979
Bank statement balance at end of year	3 010 844	2 407 268
<b><i>ABSA Bank Limited - Account Number 9233471702 (MIG):</i></b>		
Cash book balance at beginning of year	1 731 175	939
Cash book balance at end of year	5 436 031	1 731 175
Bank statement balance at beginning of year	1 731 175	939
Bank statement balance at end of year	5 439 644	1 731 175



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>ABSA Bank Limited - Account Number 9233473306 (Housing):</b>		
Cash book balance at beginning of year	300 949	949
Cash book balance at end of year	2 248 827	300 949
Bank statement balance at beginning of year	300 949	949
Bank statement balance at end of year	2 248 827	300 949
<b>ABSA Bank Limited - Account Number 9233472871 (DME):</b>		
Cash book balance at beginning of year	5 428 265	7 218 140
Cash book balance at end of year	(20 630)	5 428 265
Bank statement balance at beginning of year	5 428 265	7 218 140
Bank statement balance at end of year	1 000	5 428 265
<b>ABSA Bank Limited - Account Number 9255092704 (NDFT):</b>		
Cash book balance at beginning of year	550 000	550 000
Cash book balance at end of year	550 000	550 000
Bank statement balance at beginning of year	550 000	550 000
Bank statement balance at end of year	550 000	550 000
<b>ABSA Bank Limited - Account Number 9259915702 (MSIG):</b>		
Cash book balance at beginning of year	975	975
Cash book balance at end of year	975	975
Bank statement balance at beginning of year	975	975
Bank statement balance at end of year	975	975
<b>ABSA Bank Limited - Account Number 9270780013 (EPWP):</b>		
Cash book balance at beginning of year	1 000 939	90 646
Cash book balance at end of year	259 151	1 000 939
Bank statement balance at beginning of year	1 000 939	90 646
Bank statement balance at end of year	259 151	1 000 939
<b>ABSA Bank Limited - Account Number 9313614189 (ACIP):</b>		
Cash book balance at beginning of year	1 063 308	1 392 133
Cash book balance at end of year	14 146 939	1 063 308
Bank statement balance at beginning of year	1 063 308	1 392 133
Bank statement balance at end of year	14 150 337	1 063 308
<b>ABSA Bank Limited - Account Number 9313614430 (LG SETA):</b>		
Cash book balance at beginning of year	170 729	88 084
Cash book balance at end of year	228 521	170 729
Bank statement balance at beginning of year	170 729	88 084
Bank statement balance at end of year	228 580	170 729
<b>ABSA Bank Limited - Account Number 9338917532 (Drought Relief):</b>		
Cash book balance at beginning of year	6 859 760	4 431 291
Cash book balance at end of year	816 603	6 859 760
Bank statement balance at beginning of year	6 859 760	4 431 291
Bank statement balance at end of year	818 860	6 859 760
<b>12. LONG-TERM BORROWINGS</b>		
Annuity Loans - At amortised cost	-	-
Capitalised Lease Liability - At amortised cost	7 567 415	11 210 848
	<b>7 567 415</b>	<b>11 210 848</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>(4 160 996)</b>	<b>(3 663 670)</b>
Annuity Loans - At amortised cost	-	-
Capitalised Lease Liability - At amortised cost	(4 160 996)	(3 663 670)
	<b>3 406 419</b>	<b>7 547 178</b>
<b>Total Long-term Borrowings</b>	<b>3 406 419</b>	<b>7 547 178</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>12.1</b> The obligations under finance leases are scheduled below:		
		<b>Minimum payments</b>
Amounts payable under finance leases:		
Payable within one year	4 933 819	4 933 819
Payable within two to five years	3 600 224	8 534 043
Payable after five years	-	-
	<b>8 534 043</b>	<b>13 467 861</b>
<b>Less:</b> Future finance obligations	(966 627)	(2 257 014)
<b>Present value of finance lease obligations</b>	<b>7 567 415</b>	<b>11 210 848</b>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 2

**13. NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites	15 000 347	49 232 691
Correction of Error - Note 42.7	-	(33 025 946)
<b>Total Non-current Provisions</b>	<b>15 000 347</b>	<b>16 206 744</b>

**13.1 Landfill Sites**

Balance 1 July	47 254 342	76 304 808
Contribution for the year	1 663 193	3 975 481
Correction of Error - Note 42.7	-	(33 025 946)
<b>Total provision 30 June</b>	<b>48 917 535</b>	<b>47 254 342</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 16	(33 917 188)	(31 047 598)
<b>Balance 30 June</b>	<b>15 000 347</b>	<b>16 206 744</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Bergsig	Nababeep	Steinkopf
<b>Planning for closure</b>			
Licence application to operate for closure	159 915	159 915	159 915
Landfill closure report	175 907	175 907	175 907
Basic assessment report	127 932	127 932	127 932
Final end use plan	196 300	196 300	196 300
Closure Design	305 590	305 590	305 590
<b>Rehabilitation and Closure</b>			
Level and shape waste body with normal compaction	1 984 932	503 265	2 196 016
Opening up and closing down of borrow pit	1 215 788	231 190	1 345 078
Load up selected material from borrow pit, haul, place, spread in a 0.2m layer, nominally compacted	1 525 787	290 139	1 688 044
Supply and install GCL (Envirofix or equivalent) per design drawings and manufacturers specifications	5 010 209	1 270 301	5 543 010
Supply and Spray hydro seeding or the reestablishment of vegetation	935 439	237 173	1 034 916
Stormwater management	1 402 750	237 639	1 313 126
Concrete palisade wall, sliding gate and signage	942 553	493 741	884 243
End-use related infrastructure (2 boreholes)	151 800	151 800	1 538 800
<b>Post closure monitoring and maintenance per year</b>			
Water and Leachate monitoring (annually)	857 664	857 664	857 664
Rehabilitation monitoring (annually)	1 077 000	1 077 000	1 077 000
Infrastructure decommissioning, maintenance of cover, subsidence and drainage	1 195 696	345 927	1 105 963
Fire control and vegetation maintenance	1 609 505	817 996	1 506 671

**NAMA KHOI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Komaggas</b>	<b>Concordia</b>	<b>Bulletrap</b>
<b><u>Planning for closure</u></b>			
Licence application to operate for closure	159 915	159 915	159 915
Landfill closure report	175 907	175 907	175 907
Basic assessment report	127 932	127 932	127 932
Final end use plan	196 300	196 300	196 300
Closure Design	305 590	305 590	305 590
<b><u>Rehabilitation and Closure</u></b>			
Level and shape waste body with normal compaction	332 730	334 859	200 481
Opening up and closing down of borrow pit	152 850	153 828	92 097
Load up selected material from borrow pit, haul, place, spread in a 0.2m layer, nominally compacted	191 823	193 051	115 580
Supply and install GCL (Envirofix or equivalent) per design drawings and manufacturers specifications	839 850	845 225	506 038
Supply and Spray hydro seeding or the reestablishment of vegetation	156 805	157 809	94 481
Stormwater management	620 578	342 200	487 500
Concrete palisade wall, sliding gate and signage	433 664	363 868	347 082
End-use related infrastructure (2 boreholes)	151 800	151 800	151 800
<b><u>Post closure monitoring and maintenance per year</u></b>			
Water and Leachate monitoring (annually)	857 664	857 664	857 664
Rehabilitation monitoring (annually)	1 077 000	1 077 000	1 077 000
Infrastructure decommissioning, maintenance of cover, subsidence and drainage	265 694	194 387	156 407
Fire control and vegetation maintenance	712 046	588 957	559 354
	<b>Rooiwal</b>	<b>Vioolsdrift</b>	<b>Springbok</b>
<b><u>Planning for closure</u></b>			
Licence application to operate for closure	159 915	159 915	159 915
Landfill closure report	175 907	175 907	175 907
Basic assessment report	127 932	127 932	127 932
Final end use plan	-	-	196 300
Closure Design	-	-	305 590
<b><u>Rehabilitation and Closure</u></b>			
Level and shape waste body with normal compaction	74 177	736 176	362 942
Opening up and closing down of borrow pit	34 075	338 185	125 046
Load up selected material from borrow pit, haul, place, spread in a 0.2m layer, nominally compacted	42 764	424 415	156 931
Supply and install GCL (Envirofix or equivalent) per design drawings and manufacturers specifications	187 231	1 858 196	916 108
Supply and Spray hydro seeding or the reestablishment of vegetation	34 957	346 937	171 043
Stormwater management	159 331	407 381	676 253
Concrete palisade wall, sliding gate and signage	185 404	825 049	469 887
End-use related infrastructure (2 boreholes)	151 800	151 800	151 800
<b><u>Post closure monitoring and maintenance per year</u></b>			
Water and Leachate monitoring (annually)	857 664	857 664	857 664
Rehabilitation monitoring (annually)	1 077 000	1 077 000	1 077 000
Infrastructure decommissioning, maintenance of cover, subsidence and drainage	35 536	706 328	261 124
Fire control and vegetation maintenance	274 223	1 402 279	775 928

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimate cost and date of decommission of the sites are as follows:

	<b>Estimated decommission date</b>	<b>2020</b>	<b>2019</b>
<b>Location</b>		<b>R</b>	<b>R</b>
Bergsig	2023	22 870 488	22 539 974
Nababeep	2033	17 188 764	15 141 654
Steinkopf	2041	80 748 840	65 124 004
Komaggas	2020	6 758 147	5 763 743
Concordia	2033	14 308 787	11 922 953
Bulletrap	2020	5 611 126	4 811 069
Rooiwal	2020	3 577 916	2 971 158
Vioolsdrift	2020	9 595 164	9 141 848
Springbok	2020	6 967 370	5 653 774
		<b>167 626 602</b>	<b>143 070 177</b>

**14. NON-CURRENT EMPLOYEE BENEFITS**

Provision for Post Retirement Health Care Benefits	22 008 000	17 144 338
Provision for Long Service Awards	6 971 000	6 284 246
<b>Total Non-current Employee Benefits</b>	<b>28 979 000</b>	<b>23 428 584</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b><u>Post Retirement Health Care Benefits</u></b>		
Balance 1 July	17 511 729	19 429 585
Contribution for the year	2 260 695	2 797 920
Expenditure for the year	(477 980)	(342 563)
Actuarial Loss/(Gain)	3 450 556	(4 373 213)
<b>Total provision 30 June</b>	<b>22 745 000</b>	<b>17 511 729</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 17	(737 000)	(367 391)
<b>Balance 30 June</b>	<b>22 008 000</b>	<b>17 144 338</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	7 211 553	5 272 877
Contribution for the year	1 091 758	2 395 046
Expenditure for the year	(385 311)	(270 754)
Actuarial Loss/(Gain)	352 000	(185 616)
<b>Total provision 30 June</b>	<b>8 270 000</b>	<b>7 211 553</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 17	(1 299 000)	(927 307)
<b>Balance 30 June</b>	<b>6 971 000</b>	<b>6 284 246</b>

**14.1 Provision for Post Retirement Health Care Benefits**

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	86	82
Continuation members (e.g. Retirees, widows, orphans)	11	8
<b>Total Members</b>	<b>97</b>	<b>90</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	16 132 000	12 240 889
In-service non-members	-	-
Continuation members	6 613 000	5 270 840
<b>Total Liability</b>	<b>22 745 000</b>	<b>17 511 729</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
LA Health  
Key Health, and  
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R678 000, whereas the Interest Cost for the next year is estimated to be R2 779 000.

Key actuarial assumptions used:

**i) Rate of interest**Discount Rate:

We used the nominal and real zero curves as at 30 June 2020 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based), Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1.5% per annum over the foreseeable future.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

## iii) Normal retirement age

The normal retirement age for employees of the municipality is 65 years.

## iv) Expected rate of salary increases

2020/2021 - CPI + 1,25%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

	2020 R	2019 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	22 745 000	17 511 729
Fair value of plan assets	-	-
	<u>22 745 000</u>	<u>17 511 729</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
<b>Net liability/(asset)</b>	<b><u>22 745 000</u></b>	<b><u>17 511 729</u></b>

## Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	17 511 729	19 429 585
Total expenses	1 782 715	2 455 357
Current service cost	584 664	917 489
Interest Cost	1 676 031	1 880 431
Benefits Paid	(477 980)	(342 563)
Actuarial (gains)/losses	3 450 556	(4 373 213)
Present value of fund obligation at the end of the year	<u>22 745 000</u>	<u>17 511 729</u>

## Sensitivity Analysis on the Accrued Liability on 30 June 2020

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
<b>Assumption</b>			
Central Assumptions	16 132.000	6 613.000	22 745.000

The effect of movements in the assumptions are as follows:

	Change	Total liability (Rm)	Current Service Cost (R)	Interest Cost (R)	Total (R)
<b>Assumption</b>					
Mortality Rate	+20%	21 246.000	628.000	2 592.000	3 220.000
Mortality Rate	-20%	24 562.000	738.000	3 005.000	3 743.000
Medical Aid Inflation	+1%	26 066.000	824.000	3 194.000	4 018.000
Medical Aid Inflation	-1%	19 987.000	561.000	2 434.000	2 995.000

## Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021

	Current Service Cost (R)	Interest Cost (R)	Total (R)
<b>Assumption</b>			
Central Assumptions	678 000	2 779 000	3 457 000

	2020 Rm	2019 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	0.345	(0.430)
Assets: Gain / (loss)	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 Rm	2017 Rm	2016 Rm
Liabilities: (Gain) / loss	0.757	2.848	(1.593)
Assets: Gain / (loss)	-	-	-

**14.2 Provision for Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. As at year end, 249 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R608 000 whereas the Interest Cost for the next year is estimated to be R865 000.

Key actuarial assumptions used:

**i) Rate of interest**

Discount Rate:

We used the nominal and real zero curves as at 30 June 2020 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate:

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2020 of 6.25%. The next increase in salaries is expected to occur on 01 July 2021.

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	8 270 000	7 211 553
Fair value of plan assets	-	-
	<b>8 270 000</b>	<b>7 211 553</b>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
<b>Net liability/(asset)</b>	<b>8 270 000</b>	<b>7 211 553</b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	7 211 553	5 272 877
Total expenses	706 447	2 124 292
Current service cost	549 183	398 847
Vested past service cost	-	1 573 056
Interest Cost	542 575	423 143
Benefits Paid	(385 311)	(270 754)
Actuarial (gains)/losses	352 000	(185 616)
Present value of fund obligation at the end of the year	<b>8 270 000</b>	<b>7 211 553</b>

**Sensitivity Analysis on the Accrued Liability on 30 June 2020**

Assumption	Change	Total liability (Rm)	Current Service Cost (R)	Interest Cost (R)	Total (R)
Withdrawal rates	+20%	7 927.000	585.000	842.000	1 427.000
Withdrawal rates	-20%	8 439.000	640.000	901.000	1 541.000
Normal Salary Inflation	+1%	8 669.000	646.000	922.000	1 568.000
Normal Salary Inflation	-1%	7 807.000	571.000	820.000	1 391.000

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)	
Central Assumptions	608 000	865 000	1 473 000	
			<b>2020 Rm</b>	<b>2019 Rm</b>
Experience adjustments were calculated as follows:				
Liabilities: (Gain) / loss			(0.352)	0.167
Assets: Gain / (loss)			-	-
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:				
		<b>2018 Rm</b>	<b>2017 Rm</b>	<b>2016 Rm</b>
Liabilities: (Gain) / loss		(0.244)	0.254	0.385
Assets: Gain / (loss)		-	-	-
			<b>2020 R</b>	<b>2019 R</b>

## 14.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

**LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)**

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund has a funding level of 100,7% (30 June 2018 - 103,7%).

Contributions paid recognised in the Statement of Financial Performance	<b>34 786</b>	<b>31 665</b>
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**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	309 595	377 750
Consolidated Retirement Fund	1 892 928	1 716 323
Umbrella Pension Fund	740 992	682 672
SAMWU National Provident Fund	5 575 252	5 378 640
	<b>8 518 767</b>	<b>8 155 385</b>

## 15. CONSUMER DEPOSITS

Electricity	1 511 305	1 506 791
Rental Properties	9 175	9 175
Water	1 895 337	1 775 335
Library Books	3 498	3 072
<b>Total Consumer Deposits</b>	<b>3 419 314</b>	<b>3 294 373</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

	2020 R	2019 R
<b>16. PROVISIONS</b>		
Current Portion of Rehabilitation of Landfill Sites - Note 13	33 917 188	31 047 598
<b>Total Provisions</b>	<b>33 917 188</b>	<b>31 047 598</b>
The movement in current provisions are reconciled as follows:		
<b>16.1 <u>Rehabilitation of Landfill Sites</u></b>		
Balance at beginning of year	31 047 598	29 510 121
Transfer from non-current	-	-
Contribution to provision	2 869 590	1 537 477
Expenditure incurred	-	-
Balance at end of year	<b>33 917 188</b>	<b>31 047 598</b>
<b>17. CURRENT EMPLOYEE BENEFITS</b>		
Staff Bonuses	2 077 346	1 899 069
Staff Leave	7 315 627	6 047 101
Shortfall in Cape Joint Pension Fund	302 338	302 338
Current Portion of Non-Current Provisions	2 036 000	1 294 698
Current Portion of Post Retirement Benefits - Note 14	737 000	367 391
Current Portion of Long-Service Provisions - Note 14	1 299 000	927 307
<b>Total Provisions</b>	<b>11 731 312</b>	<b>9 543 206</b>
The movement in current provisions are reconciled as follows:		
<b>17.1 <u>Staff Bonuses</u></b>		
Balance at beginning of year	1 899 069	1 803 182
Contribution to current portion	4 617 464	4 180 692
Expenditure incurred	(4 439 187)	(4 084 805)
Balance at end of year	<b>2 077 346</b>	<b>1 899 069</b>
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
<b>17.2 <u>Staff Leave</u></b>		
Balance at beginning of year	6 047 101	5 691 804
Contribution to current portion	2 294 626	1 399 425
Expenditure incurred	(1 026 099)	(1 044 128)
Balance at end of year	<b>7 315 627</b>	<b>6 047 101</b>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<b>17.3 <u>Shortfall in Cape Joint Pension Fund</u></b>		
Balance at beginning of year	302 338	302 338
Contribution to current portion	-	-
Balance at end of year	<b>302 338</b>	<b>302 338</b>
Actuaries have investigate the investment return of the Fund for the year ended 30 June 2009. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. Provision is made for the pro-rata portion owed by the Municipality.		

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 14 to the Financial Statements.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	333 406 806	264 196 016
Control, Clearing and Interface Accounts	6 890 498	5 474 766
Other Payables	11 096 554	11 718 677
Retentions	1 160 725	2 033 273
Correction of Error - Note 42.8	-	864 845
<b>Total Trade Payables</b>	<b>352 554 583</b>	<b>284 287 577</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

**19. UNSPENT TRANSFERS AND SUBSIDIES**

Unspent Transfers and Subsidies	21 483 878	12 727 195
National Government Grants	16 993 728	7 254 391
Provincial Government Grants	4 449 788	5 432 442
District Municipality	-	-
Other Sources	40 362	40 362
<b>Less: Unpaid Transfers and Subsidies</b>	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
<b>Total Unspent Transfers and Subsidies</b>	<b>21 483 878</b>	<b>12 727 195</b>

See appendix "D" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

**20. TAXES**

<b>20.1</b>	VAT Payable	(732 821)	-
	VAT Output in Suspense	(28 015 112)	(15 039 107)
	<b>Less: Contribution to Provision for Doubtful Debt Impairment</b>	-	-
	<b>Total VAT Payable</b>	<b>(28 747 933)</b>	<b>(15 039 107)</b>
<b>20.2</b>	VAT Receivable	-	771 021
	VAT Input in Suspense	54 231 403	35 361 218
	<b>Total VAT Receivable</b>	<b>54 231 403</b>	<b>36 132 239</b>
<b>20.3</b>	<b>Net VAT (Payable)/Receivable</b>	<b>25 483 471</b>	<b>21 093 132</b>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
21. PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	54 103 717	50 641 127
Business and Commercial Property	11 814 741	11 289 224
Farm Properties	781 298	634 206
Industrial Property	2 201 000	2 470 350
Mining Properties	486 874	333 425
Municipal Properties	21 021	14 726
Public Benefit Organisations	5 110	3 276
Public Service Infrastructure Properties	21	
Residential Properties	32 989 626	30 250 735
State-owned Properties	5 692 160	5 538 248
Agricultural Property	111 866	106 936
<u>Less: Revenue Forgone</u>	(2 781 724)	(3 170 366)
Total Property Rates	51 321 993	47 470 760
<u>Valuations - 1 July 2019</u>		
Rateable Land and Buildings	3 598 379 300	2 878 707 300
Business and Commercial Property	475 086 000	431 561 000
Farm Properties	619 947 000	50 126 500
Industrial Property	94 264 900	94 465 000
Mining Properties	17 407 000	12 539 500
Municipal Properties	10 049 000	2 520 000
Residential Properties	2 046 890 900	1 587 362 300
State-owned Properties	242 217 500	213 091 500
Public Service Infrastructure Properties	5 000	-
Agricultural Property	59 121 500	467 243 000
Other Categories	33 390 500	19 798 500
Total Assessment Rates	3 598 379 300	2 878 707 300
Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.		
Basic Rate		
Residential	0,01617 c/R	0,01888 c/R
Commercial and Industrial	0,02226 c/R	0,02599 c/R
Agricultural	0,00431 c/R	0,00081 c/R
Rebates were granted on land with buildings used solely for dwellings purposes as follows:		
Residential -	The first R15 000 on the valuation is exempted.	
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
22. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	52 662 581	47 787 943
Equitable Share	47 830 000	43 917 000
Expanded Public Works Programme Integrated Grant	1 057 581	-
Local Government Financial Management Grant	2 680 000	2 215 000
Municipal Infrastructure Grant	-	242 209
Libraries, Archives and Museums	1 095 000	900 751
Water Services Infrastructure Grant	-	272 452
Namakwa DM	-	240 532
Government Grants and Subsidies - Capital	14 424 736	31 422 839
Integrated National Electrification Programme Grant	(27 170)	6 143 694
Municipal Infrastructure Grant	9 212 533	9 390 489
Expanded Public Works Programme Integrated Grant	-	999 532
Municipal Disaster Recovery Grant	3 070 184	10 442 459
Water Services Infrastructure Grant	2 169 189	4 446 664
Total Government Grants and Subsidies	67 087 316	79 210 781

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Included in above are the following grants and subsidies received:		
<b>Unconditional</b>	47 830 000	43 917 000
Equitable Share	47 830 000	43 917 000
<b>Conditional</b>	19 257 316	35 293 781
Expanded Public Works Programme Integrated Grant	1 057 581	999 532
Local Government Financial Management Grant	2 680 000	2 215 000
Libraries, Archives and Museums	1 095 000	900 751
Municipal Disaster Recovery Grant	3 070 184	10 442 459
Integrated National Electrification Programme Grant	(27 170)	6 143 694
Municipal Infrastructure Grant	9 212 533	9 632 698
Water Services Infrastructure Grant	2 169 189	4 719 116
Namakwa DM	-	240 532
<b>Total Government Grants and Subsidies</b>	<b>67 087 316</b>	<b>79 210 781</b>

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Equitable share	47 830 000	43 917 000
Executive and Council	1 057 581	999 532
Finance and Administration	2 680 000	2 215 000
Internal Audit	-	-
Community and Social Services	1 095 000	900 751
Energy Sources	(27 170)	6 143 694
Water Management	5 239 373	15 161 575
Waste Water Management	9 212 533	9 873 230
Waste Management	-	-
<b>Total Government Grants and Subsidies</b>	<b>67 087 316</b>	<b>79 210 781</b>

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

## 22.1 Equitable Share

Opening balance	-	-
Correction of Error	-	-
Grants received	47 830 000	43 917 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(47 830 000)	(43 917 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

## 22.2 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Correction of Error	-	-
Grants received	2 680 000	2 215 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(2 680 000)	(2 215 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>22.3 <u>Municipal Infrastructure Grant (MIG)</u></b>		
Opening balance	1 864 302	-
Correction of Error	-	-
Grants received	14 593 000	11 497 000
Interest received	-	-
Repaid to National Revenue Fund	(1 900 000)	-
Conditions met - Operating	-	(242 209)
Conditions met - Capital	(9 212 533)	(9 390 489)
Conditions still to be met	<u>5 344 769</u>	<u>1 864 302</u>

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

<b>22.4 <u>Integrated National Electrification Grant</u></b>		
Opening balance	4 872 830	7 016 524
Correction of Error	-	-
Grants received	-	4 000 000
Interest received	-	-
Repaid to National Revenue Fund	(4 900 000)	-
Conditions met - Operating	-	-
Conditions met - Capital	27 170	(6 143 694)
Conditions still to be met	<u>0</u>	<u>4 872 830</u>

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

<b>22.5 <u>Water Services Infrastructure Grant</u></b>		
Opening balance	517 259	236 375
Correction of Error	-	-
Grants received	15 000 000	5 000 000
Interest received	-	-
Repaid to National Revenue Fund	(1 700 000)	-
Conditions met - Operating	-	(272 452)
Conditions met - Capital	(2 169 189)	(4 446 664)
Conditions still to be met	<u>11 648 071</u>	<u>517 259</u>

The grant was used for water infrastructure projects.

<b>22.6 <u>Expanded Public Works Programme (EPWP)</u></b>		
Opening balance	468	-
Correction of Error	-	-
Grants received	1 058 000	1 000 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 057 581)	-
Conditions met - Capital	-	(999 532)
Conditions still to be met	<u>887</u>	<u>468</u>

The grant was used for job creation.

<b>22.7 <u>Libraries, Archives and Museums</u></b>		
Opening balance	-	105 751
Correction of Error	-	-
Grants received	1 095 000	795 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 095 000)	(900 751)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

The grant was used to finance library activities.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>22.8 Department of Water Affairs - (WSACDBP)</b>		
Opening balance	510 747	510 747
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>510 747</u>	<u>510 747</u>

The grant was allocated for the refurbishment of water infrastructure.

<b>22.9 LG SETA</b>		
Opening balance	170 784	88 138
Correction of Error	-	-
Grants received	-	82 645
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>170 784</u>	<u>170 784</u>

The grant was allocated for skills development.

<b>22.10 Department Sport, Arts and Culture</b>		
Opening balance	308 500	308 500
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>308 500</u>	<u>308 500</u>

The grant was received for the building and maintenance of sport fields in the district.

<b>22.11 Swimming Pool</b>		
Opening balance	450 000	450 000
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>450 000</u>	<u>450 000</u>

The grant was received for the building of a swimming pool in the district.

<b>22.12 World Cup 2010</b>		
Opening balance	52 139	52 139
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>52 139</u>	<u>52 139</u>

The grant was allocated for activities of the 2010 Soccer World Cup.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>22.13 <u>Municipal Disaster Recovery Grant</u></b>		
Opening balance	3 887 541	4 542 000
Correction of Error	-	-
Grants received	-	9 788 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(3 070 184)	(10 442 459)
Conditions still to be met	<u>817 356</u>	<u>3 887 541</u>

The grant was used for water infrastructure projects.

<b>22.14 <u>Fire Equipment</u></b>		
Opening balance	52 264	52 264
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>52 264</u>	<u>52 264</u>

The grant was allocated for the maintenance and upgrade of fire equipment in the area of the municipality.

<b>22.15 <u>Namakwa DM</u></b>		
Opening balance	-	-
Correction of Error	-	-
Grants received	-	240 532
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(240 532)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

The grant was used for maintenance projects.

<b>22.16 <u>Wade Project</u></b>		
Opening balance	40 362	40 362
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>40 362</u>	<u>40 362</u>

The grant was used for water infrastructure projects in the Buffelsriver.

<b>22.17 <u>Housing</u></b>		
Opening balance	-	-
Correction of Error	-	-
Grants received	2 088 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>2 088 000</u>	<u>-</u>

The grant was used for emergency housing and establishment of housing accreditation office.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>22.18 Total Grants</b>		
Opening balance	12 727 195	13 402 800
Correction of Error	-	-
Grants received	84 344 000	78 535 177
Interest received	-	-
Repaid to National Revenue Fund	(8 500 000)	-
Conditions met - Operating	(52 662 581)	(47 787 943)
Conditions met - Capital	(14 424 736)	(31 422 839)
Conditions still to be met/(Grant expenditure to be recovered)	21 483 879	12 727 195
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	21 483 878	12 727 195
Unpaid Conditional Government Grants and Receipts	-	-
<b>Total</b>	<b>21 483 878</b>	<b>12 727 195</b>
<b>23. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT</b>		
Northern Cape Tourism		61 296
<b>Total Contributed Property, Plant and Equipment</b>	<b>-</b>	<b>61 296</b>
<b>24. AVAILABILITY CHARGES</b>		
Water	281 124	255 693
Waste Water Management	150 448	148 824
<b>Total Availability Charges</b>	<b>431 572</b>	<b>404 516</b>
<b>25. LICENCES AND PERMITS</b>		
Trading	59 180	79 880
Road and Transport	951 445	1 199 823
<b>Total Licences and Permits</b>	<b>1 010 625</b>	<b>1 279 703</b>
<u>Disclosed as follows:</u>		
Revenue from Non-Exchange Transactions	1 010 625	1 279 703
Revenue from Exchange Transactions		-
<b>Total Licences and Permits</b>	<b>1 010 625</b>	<b>1 279 703</b>
<b>26. SERVICE CHARGES</b>		
<b>Electricity</b>	<b>84 892 647</b>	<b>80 125 424</b>
Service Charges	85 897 425	80 465 011
<b>Less:</b> Revenue Forgone	(1 004 778)	(339 588)
<b>Water</b>	<b>31 090 063</b>	<b>29 018 691</b>
Service Charges	36 828 144	33 917 680
<b>Less:</b> Revenue Forgone	(5 738 080)	(4 898 989)
<b>Waste Management</b>	<b>13 534 099</b>	<b>13 080 423</b>
Service Charges	20 886 539	19 844 950
<b>Less:</b> Revenue Forgone	(7 352 440)	(6 764 528)
<b>Waste Water Management</b>	<b>11 378 456</b>	<b>10 906 656</b>
Service Charges	16 709 562	15 728 504
<b>Less:</b> Revenue Forgone	(5 331 107)	(4 821 848)
Correction of Error - Note 42.10	-	(2 032 304)
<b>Total Service Charges</b>	<b>140 895 265</b>	<b>131 098 889</b>

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>27. SALES OF GOODS AND RENDERING OF SERVICES</b>		
Building Plan Approval	341 823	352 092
Camping Fees	43 883	41 487
Cemetery and Burial	44 911	46 410
Fire Services	680	808
Membership Fees	25 359	29 008
Parking Fees	17 276	16 860
Photocopies and Faxes	11 824	14 398
Removal of Restrictions	12 437	7 539
Sale of Goods	95 221	80 547
Valuation Services	45 942	47 451
<b>Total Sales of Goods and Rendering of Services</b>	<b>639 356</b>	<b>636 598</b>
<b>28. RENT ON LAND</b>		
Land	1 090 363	1 001 144
Grazing Fees	1 090 363	1 001 144
<b>Total Rent on Land</b>	<b>1 090 363</b>	<b>1 001 144</b>
<b>29. RENTAL FROM FIXED ASSETS</b>		
Investment Property	622 010	288 656
Property, Plant and Equipment	2 677 974	1 969 914
<b>Total Rental from Fixed Assets</b>	<b>3 299 984</b>	<b>2 258 569</b>
<b>30. INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	709 958	648 238
Financial assets	1 297 625	1 129 914
<b>Total Interest Earned - External Investments</b>	<b>2 007 583</b>	<b>1 778 151</b>
<b>31. INTEREST EARNED - EXCHANGE TRANSACTIONS</b>		
Trade Receivables	11 816 312	8 322 000
<b>Total Interest Earned - Outstanding Receivables</b>	<b>11 816 312</b>	<b>8 322 000</b>
<b>32. OPERATIONAL REVENUE</b>		
Administrative Handling Fees	8 882	26 777
Commission	49 960	48 130
Staff Recoveries	218 309	187 567
Correction of Error - Note 42.10	-	3 902
<b>Total Operational Revenue</b>	<b>277 152</b>	<b>266 377</b>
<u>Disclosed as follows:</u>		
Revenue from Exchange Transactions	277 152	266 377
Revenue from Non-Exchange Transactions	-	-
<b>Total Operational Revenue</b>	<b>277 152</b>	<b>266 377</b>
<b>33. EMPLOYEE RELATED COSTS</b>		
Basic Salaries and Wages	61 138 582	54 728 993
Pension and UIF Contributions	9 130 742	8 378 781
Medical Aid Contributions	2 506 587	2 303 834
Overtime	5 088 007	4 476 972
Bonuses	4 617 464	4 180 692
Motor Vehicle Allowance	470 528	427 726
Cell Phone Allowance	245 454	236 585
Housing Allowances	4 065 294	3 930 430
Other benefits and allowances	3 540 070	3 023 999
Payments in lieu of leave	2 294 626	1 399 425
Post-retirement Benefit Obligations	1 133 847	2 889 392
<b>Total Employee Related Costs</b>	<b>94 231 201</b>	<b>85 976 830</b>

**KEY MANAGEMENT PERSONNEL**

Only Municipal Manager is appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to her at the end of the contract periods.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<b>Remuneration of the Municipal Manager - Mrs SA Tatas-Titus</b>		
Annual Remuneration	978 443	963 998
Benefits and Allowances	319 929	413 509
Contributions to UIF, Medical and Pension Funds	1 785	1 785
<b>Total</b>	<b>1 300 156</b>	<b>1 379 292</b>
<b>Remuneration of the Chief Financial Officer - Mr HE Cloete (Acting)</b>		
Acting Allowance	167 195	133 376
<b>Total</b>	<b>167 195</b>	<b>133 376</b>
<b>Remuneration of Head : Corporate Services - Mr DC Magerman (Acting)</b>		
Acting Allowance	99 055	47 360
<b>Total</b>	<b>99 055</b>	<b>47 360</b>
<b>Remuneration of Head : Technical Services - Mr JS Cloete</b>		
Annual Remuneration	783 058	729 914
Benefits and Allowances	277 555	298 851
Contributions to UIF, Medical and Pension Funds	182 515	159 057
<b>Total</b>	<b>1 243 128</b>	<b>1 187 822</b>
<b>Remuneration of Head: Community Services - RC Hartley</b>		
Annual Remuneration	632 531	584 021
Acting Allowance	167 583	8 230
Contributions to UIF, Medical and Pension Funds	196 428	179 537
Benefits and Allowances	350 201	376 444
<b>Total</b>	<b>1 346 743</b>	<b>1 148 231</b>

34. **REMUNERATION OF COUNCILLORS**

JE van den Heever	297 523	286 080
DA Markus	297 881	286 080
CE Gertze	297 574	286 080
R Kritzingen	297 628	286 080
S Kleinbooi	379 693	365 089
CG Coetzee	366 510	286 080
YL van Zyl	297 881	286 080
P van Reenen	297 523	286 080
GY Pieters	332 658	384 810
LF Faber	315 380	815 863
JD Owies (neë Joseph)	-	495 638
SCJ van Wyk	-	266 682
ZP de Jongh	297 523	286 080
LL Vries	297 523	286 080
SH Ruiter	297 628	286 080
WS Jordaan	379 693	365 089
GJ Coetzee	297 523	286 080
W Van Schalkwyk	297 523	60 395
ML Isaacs	222 383	84 702
RJ Cloete	516 099	-
CV Petersen	424 235	-
<b>Total Councillors' Remuneration</b>	<b>6 210 380</b>	<b>5 985 148</b>

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor (RJ Cloete - Current)	364 372	87 654	25 183	32 961	510 170
Executive Mayor (LF Faber - Previous)	201 305	75 529	16 391	25 274	318 499
Speaker	460 237	147 701	41 490	-	649 428
Executive Committee Members	482 998	162 685	81 872	31 830	759 385
Section 79 Committee Chairperson	216 829	61 592	40 936	47 153	366 510
Councillors	2 172 515	586 470	491 232	356 170	3 606 388
<b>Total Councillors' Remuneration</b>	<b>3 898 257</b>	<b>1 121 631</b>	<b>697 103</b>	<b>493 388</b>	<b>6 210 380</b>

**In-kind Benefits**

The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>35. DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment	42 890 859	43 055 390
Intangible Assets	33 431	28 585
Investment Property carried at cost	238 258	-
Correction of Error - Note 42.10	-	404 770
<b>Total Depreciation and Amortisation</b>	<b>43 162 549</b>	<b>43 488 745</b>
<b>36. FINANCE COSTS</b>		
Long-term Borrowings	1 290 386	421 318
Non-current Provisions	1 663 193	-
Non-current Employee Benefits	2 218 606	2 303 574
Payables	11 935 160	12 227 388
Correction of Error - Note 42.10	-	(2 480 879)
<b>Total Finance Costs</b>	<b>17 107 345</b>	<b>12 471 401</b>
<b>37. BULK PURCHASES</b>		
Electricity	80 068 941	68 277 865
Water	44 280 405	38 267 851
<b>Total Bulk Purchases</b>	<b>124 349 346</b>	<b>106 545 716</b>
<b>38. OPERATIONAL COSTS</b>		
Advertising, Publicity and Marketing	366 865	814 286
Assets less than the Capitalisation Threshold	59 174	33 365
Audit Fees	3 117 224	2 729 647
Audit Committee	129 667	154 275
Accounting and Auditing services	2 342 880	1 966 898
Bank Charges, Facility and Card Fees	669 065	761 276
Commission	728 566	-
Courier and Delivery Services	119	-
Catering Services	534 697	422 911
Clearing and Grass Cutting Services	6 000	-
Communication	2 019 627	2 214 797
Contractors Building	313 075	650 667
Contractors Electrical	4 050 276	1 027 970
Contractors Equipment	2 809 383	504 825
Contractors Other Assets	674 732	913 845
Eskom Connection Fees	90 174	117 374
External Computer Service	3 356 621	5 265 222
External Personnel and Labour	842 277	-
Hire Charges	2 593 860	1 740 419
Indigent Relief	-	313 947
Infrastructure and Planning	400 331	-
Insurance Underwriting	1 457 663	436 772
Laboratory Services	219 574	238 196
Legal Cost	1 260 825	1 731 256
Medical Health Services	740 020	104 361
Municipal Services	-	2 018 219
Other Expenditure	-	743 753
Pest Control and Fumigation	1 325	25 970
Printing, Publications and Books	329 368	534 608
Professional Bodies, Membership and Subscription	2 110 341	1 860 332
Registration Fees	361 730	398 370
Remuneration to Ward Committees	357 000	378 500
Road Worthy Test	543 960	327 765
Security Services	446 141	550 459
Travel and Subsistence	2 162 346	2 698 503
Uniform and Protective Clothing	401 778	116 311
Valuer and Assessors	9 990	645 609
Witness Fees	344 161	509 003
Correction of Error - Note 42.10	-	(1 815 185)
<b>Total Operational Costs</b>	<b>35 850 831</b>	<b>35 110 006</b>
<b>39. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES</b>		
Non-Current Receivables from Non-Exchange Transactions - Note 6	46 347	492 727
Receivables from Exchange Transactions - Note 9	(31 285 118)	(30 645 008)
Receivables from Non-exchange Revenue - Note 10	(10 190 892)	(8 914 312)
<b>Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables</b>	<b>(41 429 663)</b>	<b>(39 066 593)</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>40. GAINS/(LOSS) ON SALE OF FIXED ASSETS</b>		
Investment Property	1 505 199	-
Property, Plant and Equipment	572 487	(13 361)
<b>Total Gains/ (Loss) on Sale of Fixed Assets</b>	<b>2 077 686</b>	<b>(13 361)</b>

**41. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA**

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. New mSCOA Charts are issued annually, resulting into an annual reclassification of items in the financial statements. The reclassification of 2019 audited amounts can be summarised as follows:

Statement of Financial Position	Balance previously reported	Adjustments	Restated Balance
Accumulated Surplus/(Deficit)	476 580 078	-	476 580 078
Long-term Borrowings	7 547 178	-	7 547 178
Non-current Provisions	49 232 691	-	49 232 691
Non-current Employee Benefits	23 428 584	-	23 428 584
Consumer Deposits	3 294 373	-	3 294 373
Provisions	31 047 598	-	31 047 598
Current Employee Benefits	9 543 206	-	9 543 206
Trade and Other Payables from Exchange Transactions	283 422 732	-	283 422 732
Unspent Transfers and Subsidies	12 727 195	-	12 727 195
Current Portion of Long-term Borrowings	3 663 670	-	3 663 670
Property, Plant and Equipment	663 557 305	-	663 557 305
Investment Property	123 444 704	-	123 444 704
Intangible Assets	72 942	-	72 942
Heritage Assets	1 038 799	-	1 038 799
Inventory	31 138 138	-	31 138 138
Receivables from exchange transactions	23 477 546	-	23 477 546
Receivables from non-exchange transactions	7 146 669	-	7 146 669
Operating Lease Asset	26 464	-	26 464
Taxes	21 093 132	-	21 093 132
Cash and Cash Equivalents	29 464 599	-	29 464 599
Short-term Investments	27 006	-	27 006
	-	-	0

Statement of Financial Performance	Balance previously reported	Adjustments	Restated Balance
Property Rates	47 470 760	-	47 470 760
Government Grants and Subsidies	79 210 781	-	79 210 781
Contributed Property, Plant and Equipment	61 296	-	61 296
Availability Charges	4 558 829	-	4 558 829
Fines	-	404 516	404 516
Fines, Penalties and Forfeits	589 497	-	589 497
Interest Earned - Non-exchange Transactions	2 276 707	-	2 276 707
Licences and Permits	1 279 703	-	1 279 703
Service Charges	133 535 710	(404 516)	133 131 193
Sales of Goods and Rendering of Services	636 598	-	636 598
Rent on Land	1 001 144	-	1 001 144
Rental from Fixed Assets	2 258 569	-	2 258 569
Interest Earned - external investments	1 778 151	-	1 778 151
Interest Earned - Exchange Transactions	8 322 000	-	8 322 000
Agency Services	244 284	-	244 284
Operational Revenue	262 475	-	262 475
Employee related costs	(85 976 830)	-	(85 976 830)
Remuneration of Councillors	(5 985 148)	-	(5 985 148)
Depreciation and Amortisation	(43 083 975)	-	(43 083 975)
Finance Costs	(14 952 280)	-	(14 952 280)
Bulk Purchases	(106 545 716)	-	(106 545 716)
Inventory Consumed	(10 208 982)	-	(10 208 982)
Operational Costs	(36 925 191)	-	(36 925 191)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(388 183)	-	(388 183)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(39 066 593)	-	(39 066 593)
Gains/(Loss) on Sale of Fixed Assets	(13 361)	-	(13 361)
<b>Net Surplus/(Deficit) for the year</b>	<b>(59 659 754)</b>	<b>0</b>	<b>(59 659 754)</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>42. CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
<b>42.1 Property, Plant and Equipment</b>		
<b>Balance previously reported</b>	-	663 557 305
Cost	-	89 515 845
Buildings not recognised in periods before 1 July 2018 - Note 2	-	(1 728 265)
Land not recognised in periods before 1 July 2018 - Note 2	-	92 057 008
Maintenance recognise incorrectly as infrastructure assets in periods before 1 July 2018 - Note 2	-	(812 898)
Accumulated Depreciation	-	1 337 565
Accumulated Depreciation on Buildings not recognised in periods before 1 July 2018 - Note 2	-	1 742 335
Depreciation on Buildings recognised incorrectly in 2018/2019 - Note 2	-	(404 770)
<b>Restated Balance</b>	-	<b>754 410 715</b>
Land and Buildings recognised incorrectly in prior years and maintenance capitalised incorrectly in prior years.		
<b>42.2 Investment Property</b>		
<b>Balance previously reported</b>	-	123 444 704
Investment Property recognised incorrectly in periods before 1 July 2018 - Note 3	-	185 684 475
Accumulated Depreciation recognised incorrectly in periods before 1 July 2018 - Note 3	-	(5 756 679)
<b>Restated Balance</b>	-	<b>303 372 500</b>
Investment Property recognised incorrectly in prior years.		
<b>42.3 Heritage Assets</b>		
<b>Balance previously reported</b>	-	1 038 799
Heritage Assets recognised incorrectly in periods before 1 July 2018 - Note 5	-	445 470
<b>Restated Balance</b>	-	<b>1 484 269</b>
Heritage Assets recognised incorrectly in prior years.		
<b>42.4 Inventory</b>		
<b>Balance previously reported</b>	-	31 138 138
Inventory recognised incorrectly in periods before 1 July 2018 - Note 8	-	(30 171 429)
Correction of prior year stock (Warehouse 8) in 2018/2019 - Note 8	-	(161)
Correction of prior year stock (Warehouse 1) in 2018/2019- Note 8	-	(79)
<b>Restated Balance</b>	-	<b>966 469</b>
Derecognition of Inventory (Land) in periods before 1 July 2018 and corrections on consumables.		
<b>42.5 Receivables from Exchange Transactions</b>		
<b>Balance previously reported</b>	-	23 477 546
Correction of Consumer Accounts in periods before 1 July 2018 - Note 9	-	(157 091)
Correction of municipal services in 2018/2019 - Note 9	-	(14 085)
Availability Charges previously disclosed incorrectly under Receivables from Exchange Transactions- Note 9	-	(1 715 983)
Correction of commission received in 2018/2019 - Note 9	-	3 902
<b>Restated Balance</b>	-	<b>21 594 290</b>
Correction of Consumer Accounts and reallocation of disclosure of availability charges.		
<b>42.6 Receivables from Non-Exchange Transactions</b>		
<b>Balance previously reported</b>	-	7 146 669
Correction of Consumer Accounts in periods before 1 July 2018 - Note 10	-	(74 615)
Availability Charges previously disclosed incorrectly under Receivables from Exchange Transactions- Note 10	-	1 715 983
<b>Restated Balance</b>	-	<b>8 788 037</b>
Correction of Consumer Accounts and reallocation of disclosure of availability charges.		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>42.7 Non-Current Provisions</b>		
Balance previously reported	-	49 232 691
Provision for Rehabilitation of Landfill-sites recognised incorrectly in periods before 1 July 2018 - Note 13.1	-	(30 545 068)
Contribution to Rehabilitation of Landfill-sites recognised incorrectly in 2018/2019 - Note 13.1	-	(2 480 879)
<b>Restated Balance</b>	<b>-</b>	<b>16 206 744</b>
Provision for rehabilitation of landfill-sites recognised incorrectly in prior years.		
<b>42.8 Trade and Other Payables from Exchange Transactions</b>		
Balance previously reported	-	283 422 732
Correction of commission paid in 2018/2019 - Note 18	-	123 517
Correction of Creditors in periods before 1 July 2018 - Note 18	-	661 811
Correction of Creditors in 2018/2019 - Note 18	-	79 517
<b>Restated Balance</b>	<b>-</b>	<b>284 287 577</b>
Correction of billing. Correction of commission paid		
<b>42.9 Accumulated Surplus/(Deficit) - 1 July 2018</b>		
Maintenance recognise incorrectly as infrastructure assets in periods before 1 July 2018 - Note 42.1	-	(812 898)
Buildings not recognised in periods before 1 July 2018 - Note 42.1	-	(1 728 265)
Land not recognised in periods before 1 July 2018 - Note 42.1	-	92 057 008
Accumulated Depreciation on Buildings not recognised in periods before 1 July 2018 - Note 42.1	-	1 742 335
Investment Property recognised incorrectly in periods before 1 July 2018 - Note 42.2	-	185 684 475
Accumulated Depreciation recognised incorrectly in periods before 1 July 2018 - Note 42.2	-	(5 756 679)
Heritage Assets recognised incorrectly in periods before 1 July 2018 - Note 42.3	-	445 470
Inventory recognised incorrectly in periods before 1 July 2018 - Note 42.4	-	(30 171 429)
Provision for Rehabilitation of landfill-sites recognised incorrectly in prior years - Note 42.7	-	30 545 068
Correction of Consumer Accounts in periods before 1 July 2018 - Note 42.5	-	(157 091)
Correction of Consumer Accounts in periods before 1 July 2018 - Note 42.6	-	(74 615)
Correction of Creditors in periods before 1 July 2018 - Note 42.8	-	(661 811)
<b>Total</b>	<b>-</b>	<b>271 111 569</b>

**42.10 Changes to Statement of Financial Performance**

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
<b>Revenue</b>				
Property Rates		47 470 760	-	47 470 760
Government Grants and Subsidies		79 210 781	-	79 210 781
Contributed Property, Plant and Equipment		61 296	-	61 296
Actuarial Gains		4 558 829	-	4 558 829
Fines, Penalties and Forfeits		589 497	-	589 497
Interest Earned - Non-exchange Transactions		2 276 707	-	2 276 707
Licences and Permits from Non-Exchange Transactions		1 279 703	-	1 279 703
Service Charges	<b>26 &amp; 38</b>	133 131 193	(2 032 304)	131 098 889
Sales of Goods and Rendering of Services		636 598	-	636 598
Rent on Land		1 001 144	-	1 001 144
Rental from Fixed Assets		2 258 569	-	2 258 569
Interest Earned - External Investments		1 778 151	-	1 778 151
Interest Earned - Exchange Transactions		8 322 000	-	8 322 000
Agency Services		244 284	-	244 284
Operational Revenue		262 475	3 902	266 377
<b>Total</b>		<b>283 486 504</b>	<b>(2 028 402)</b>	<b>281 458 102</b>
<b>Expenditure</b>				
Employee related costs		(85 976 830)	-	(85 976 830)
Remuneration of Councillors		(5 985 148)	-	(5 985 148)
Depreciation and Amortisation	<b>42.1</b>	(43 083 975)	(404 770)	(43 488 745)
Finance Costs	<b>42.7</b>	(14 952 280)	2 480 879	(12 471 401)
Bulk Purchases		(106 545 716)	-	(106 545 716)
Inventory Consumed	<b>42.4</b>	(10 208 982)	(240)	(10 209 222)
Operational Costs	<b>42.1 &amp; 42.8</b>	(36 925 191)	1 815 185	(35 110 006)
<b>Total</b>		<b>(303 678 120)</b>	<b>3 891 053</b>	<b>(299 787 067)</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Balance previously reported	Adjustments	Restated Balance
<b>Gains and Losses</b>				
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		(388 183)	-	(388 183)
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(39 066 593)	-	(39 066 593)
Gains/(Loss) on Sale of Fixed Assets		(13 361)	-	(13 361)
Total		<b>(39 468 137)</b>	<b>-</b>	<b>(39 468 137)</b>
Net Surplus/(Deficit) for the year		<b>(59 659 754)</b>	<b>1 862 651</b>	<b>(57 797 102)</b>
		<b>2020</b>	<b>2019</b>	
		<b>R</b>	<b>R</b>	
<b>43. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>				
Surplus/(Deficit) for the year		(95 252 073)	(57 797 102)	
<b>Adjustments for:</b>				
Depreciation and Amortisation		43 162 549	43 488 729	
Loss/(Gain) on Sale of Fixed Assets		565 434	9 675	
Contributed Property, Plant and Equipment		-	(61 296)	
Government Grants and Subsidies received		75 844 000	78 535 177	
Government Grants and Subsidies recognised as revenue		(67 087 316)	(79 210 781)	
Contribution to provisions – Non-Current Provisions		1 663 193	3 975 481	
Contribution from/to provisions - Current Employee Benefits		1 446 804	451 184	
Contribution from/to provisions - Non-Current Employee Benefits		2 489 162	4 579 649	
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses		3 802 556	-	
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains		-	(4 558 829)	
Contribution to provisions – Bad Debt		41 476 010	39 559 320	
Operating lease income accrued		22 419	26 897	
Operating Surplus/(Deficit) before changes in working capital		8 132 737	28 998 104	
Changes in working capital		18 608 345	15 350 276	
Increase/(Decrease) in Trade and Other Payables		68 267 006	62 786 519	
Increase/(Decrease) in Taxes		(4 390 339)	(8 136 059)	
(Increase)/Decrease in Inventory		(132 583)	(142 674)	
(Increase)/Decrease in Trade Receivables from Exchange Transactions		(32 195 613)	(31 707 351)	
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions		(12 940 127)	(7 450 158)	
<b>Cash generated/(absorbed) by operations</b>		<b>26 741 082</b>	<b>44 348 381</b>	
<b>44. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Current Accounts - Note 11		15 622 201	8 278 981	
Call Deposits and Investments - Note 11		26 943 849	21 191 024	
Cash Floats - Note 11		1 500	1 600	
Investments - Note 11		20 000	20 000	
<b>Total cash and cash equivalents</b>		<b>42 587 550</b>	<b>29 491 605</b>	
<b>45. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>				
Cash and Cash Equivalents - Note 44		42 587 550	29 491 605	
<b>Less:</b>		(21 483 878)	(12 727 195)	
Unspent Transfers and Subsidies - Note 19		(21 483 878)	(12 727 195)	
Net cash resources available for internal distribution		21 103 672	16 764 410	
Allocated to:				
Capital Replacement Reserve		-	-	
<b>Resources available for working capital requirements</b>		<b>21 103 672</b>	<b>16 764 410</b>	
<b>46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>				
Long-term Liabilities - Note 12		7 567 415	11 210 848	
Used to finance property, plant and equipment - at cost		(7 567 415)	(11 210 848)	
Cash set aside for the repayment of long-term liabilities		-	-	
<b>Cash invested for repayment of long-term liabilities</b>		<b>-</b>	<b>-</b>	
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				

**47. BUDGET INFORMATION****47.1 Explanation of variances between approved and final budget amounts**

The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the Covid-19 pandemic on revenue, increase in consumer debtors, reprioritising of operating and capital projects.

**Explanation of variances greater than 5%: Final Budget and Actual Amounts****47.2 Statement of Financial Position****47.2.1 Current Assets****Cash**

*Increased cash levels due to unspent grants.*

**Call Investment Deposits**

*Budgeted amount included under Cash and Cash Equivalents.*

**Consumer Debtors**

*Municipality had a decline in collections resulting in the increasing of debtors.*

**Other Debtors**

*Municipality had a decline in collections resulting in the increasing of debtors.*

**Inventory**

*Derecognition of RDP houses incorrectly recognised in previous periods.*

**47.2.2 Non-Current Assets****Investment Property**

*Recognition of prior periods investment property.*

**Property, Plant and Equipment**

*New additions included in Property, Plant and Equipment.*

**Other Non-Current Assets**

*Recognition of prior periods heritage assets.*

**47.2.3 Current Liabilities****Trade and Other Payables**

*Due to financial constraints the municipality could not keep up with payments to creditors*

**Provisions**

*The Municipality did not distinguish between the current portion and non-current portion of landfill-sites in the budget, due to prior year audit qualification.*

**47.2.4 Non-Current Liabilities****Borrowing**

*Municipality did not budget for finance leases.*

**47.2.5 Net Assets****Accumulated Surplus/(Deficit)**

*Net effect of all of the above*

**Statement of Financial Performance****47.2.6 Revenue****Property Rates**

*Council adjusted the Property Rates downwards during the adjustment budget. This was done as there were lots of complains from community regarding their rates, however the appeal process was more in favour of the municipality and not much erfs values were adjusted downwards.*

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Service Charges - Electricity Revenue

*Electricity usage lower than the expected budgeted it must be noted that several businesses were close during the Covid-19 period.*

Service Charges - Water Revenue

*Water usage lower than the expected budgeted it must be noted that several businesses were close during the Covid-19 period.*

Rental of Facilities and Equipment

*Rental from mining and sundries more than the expected budget.*

Interest Earned - External Investments

*Expenditure of grants slower than expected this resulted in the municipality receiving more interest from the cash in the call accounts.*

Interest Earned - Outstanding Debtors

*Interest are added to debtors accounts as their debt increase, during the Covid-19 period the municipality collection drop resulting in an increased debtors.*

Fines

*Decrease in fines due to closing of department during Covid 19.*

Licences and Permits

*The traffic office were closed for certain periods during Covid-19 which resulted in less income billed.*

Agency Services

*The traffic office were closed for certain periods during Covid-19 which resulted in less income billed.*

Transfers Recognised - Operational

*Municipality budgeted for operational expenditure from capital grants, however there was a delay in projects and the expected revenue were not recognised.*

Other Revenue

*Increase in sundry income.*

Transfers Recognised - Capital

*Several Projects were delayed this resulted in less revenue recognised.*

**47.2.7 Expenditure**

Debt Impairment

*Debt impairment based on the outstanding debtors as the collection rate declined the debt impairment increased.*

Depreciation and Asset Impairment

*Finance leases depreciating over a shorter period.*

Finance Charges

*Municipality cannot budget for penalties and interest relating to the late payment of creditors.*

Bulk Purchases

*During the Adjustment Budget the municipality had to cut several expenditures including bulk purchases in order to submit a funded budget.*

Contracted Services

*Variance are as result of line item difference between the budget and the actual outcome, expenditure still had to be adjusted downwards to table a funded budget.*

Other Expenditure

*Variance are as result of line item difference between the budget and the actual outcome, expenditure still had to be adjusted downwards to table a funded budget.*

**Cash Flow Statement**

**47.2.8 Net Cash from Operating Activities**

Taxation

*Decrease as a result on non-payment of accounts by consumers.*



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## Service Charges

*Increase in indigent relief.*

## Interest

*Interest are added to debtors accounts as their debt increase, during the Covid-19 period the municipality collection drop resulting in an increased debtors; Expenditure of grants slower than expected this resulted in the municipality receiving more interest from the cash in the call accounts.*

## Suppliers and Employees

*Due to financial constraints the municipality could not keep up with payments to creditors.*

## Finance costs

*Municipality cannot budget for penalties and interest relating to the late payment of creditors.*

**47.2.9 Net Cash from Investing Activities**

## Capital Assets

*Several Projects were delayed this resulted in less revenue recognised.*

**47.2.10 Net Cash from Financing Activities**

## Increase/(Decrease) in Consumer Deposits

*Municipality had more consumers connecting for municipal services than anticipated.*

## Repayment of Borrowing

*The municipality did not budget for finance leases.*

	2020 R	2019 R
<b>48. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>48.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	328 060 389	286 905 967
Correction of prior period error	-	-
Restated opening balance	328 060 389	286 905 967
Unauthorised expenditure current year - operational	89 542 695	39 812 080
Unauthorised expenditure current year - capital	-	1 342 343
Approved by Council or condoned	-	-
Current	-	-
Prior Period	-	-
Transfer to receivables for recovery	-	-
Current	-	-
Prior Period	-	-
Unauthorised expenditure awaiting authorisation	<b>417 603 084</b>	<b>328 060 389</b>

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Over expenditure of approved operating budget - Prior to 1 July 2017	None	233 144 124	233 144 124
Over expenditure of approved operating budget - 2017	None	21 433 974	21 433 974
Over expenditure of approved operating budget - 2018	None	32 327 869	32 327 869
Over expenditure of approved operating budget - 2019	None	41 154 422	41 154 422
Over expenditure of approved operating budget - 2020	None	89 542 695	-
		<b>417 603 084</b>	<b>328 060 389</b>

**NAMA KHOI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<b>2020 Actual R</b>	<b>2020 Final Budget R</b>	<b>2020 Variance R</b>	<b>2020 Unauthorised R</b>
<b><u>Unauthorised expenditure current year - operating</u></b>				
Municipal Manager	22 044 474	1 956 096	20 088 378	20 088 378
Financial Services	82 859 870	102 618 098	(19 758 228)	-
Corporate Services	27 409 392	195 609	27 213 783	27 213 783
Community Services: Community Development	21 998 941	18 089 224	3 909 717	3 909 717
Community Services: Public Safety	9 265 560	2 593 246	6 672 314	6 672 314
Electrical Engineering Services	-	-	-	-
Infrastructure, Engineering & Technical Services	206 953 827	175 295 324	31 658 503	31 658 503
	<u>370 532 064</u>	<u>300 747 597</u>	<u>69 784 467</u>	<u>89 542 695</u>
	<b>2020 Actual R</b>	<b>2020 Final Budget R</b>	<b>2020 Variance R</b>	<b>2020 Unauthorised R</b>
<b><u>Unauthorised expenditure current year - capital</u></b>				
Municipal Manager	359 401	593 000	(233 599)	-
Financial Services	-	-	-	-
Corporate Services	25 289	250 000	(224 711)	-
Community Services: Community Development	121 845	1 120 000	(998 155)	-
Community Services: Public Safety	-	-	-	-
Electrical Engineering Services	-	-	-	-
Infrastructure, Engineering & Technical Services	11 125 311	25 402 392	(14 277 081)	-
	<u>11 631 846</u>	<u>27 365 392</u>	<u>(15 733 546)</u>	<u>-</u>
			<b>2020 R</b>	<b>2019 R</b>

**48.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	44 929 405	34 009 964
Correction of prior period error	-	-
Restated opening balance	44 929 405	34 009 964
Fruitless and wasteful expenditure current year	11 859 225	10 919 441
Condoned or written off by Council	-	-
Current	-	-
Prior Period	-	-
Transfer to receivables for recovery - not condoned	-	-
Current	-	-
Prior Period	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>56 788 630</u>	<u>44 929 405</u>

Fruitless and wasteful expenditure can be summarised as follow:

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
<i>Creditors Interest Paid Prior to 1 July 2019</i>	<i>None</i>	34 009 964	34 009 964
<i>SA Post Office Interest Paid</i>	<i>None</i>	30 312	12 709
<i>MH Office Machines Interest Paid</i>	<i>None</i>	97	97
<i>Eskom Penalties and Interest Paid</i>	<i>None</i>	22 425 039	10 896 272
<i>Telkom Interest Paid</i>	<i>None</i>	10 363	10 363
<i>Namaqua Gas Interest Paid</i>	<i>None</i>	2 084	
<i>Auditor General Interest Paid</i>	<i>None</i>	126 108	
<i>SARS Interest Paid</i>	<i>None</i>	184 662	
		<u>56 788 630</u>	<u>44 929 405</u>

**48.3 Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	201 095 498	197 501 801
Correction of prior period error	-	-
Restated opening balance	201 095 498	197 501 801
Irregular expenditure current year	3 866 111	3 593 697
Condonement supported by council		
Current	-	-
Prior Period	-	-
Irregular expenditure awaiting further action	<u>204 961 608</u>	<u>201 095 498</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2020 R	2019 R
Irregular expenditure Prior to 1 July 2017	None	197 501 801	197 501 801
Expenditure contrary to SCM processes - No bid price with tender	None	3 593 696	3 593 696
Deviations from the Supply Chain regulations - 3 Quotations not obtained	None	3 452 821	-
Deviation from the Supply Chain regulations - 2020	None	413 290	-
		<u>204 961 608</u>	<u>201 095 498</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Further instances of Irregular Expenditure that might have resulted from non-compliance with the supply chain management processes are under investigation to determine the full extent of the amount. These expenditure can be summarised as follows:

Incident	Disciplinary steps/criminal proceedings		
Payments made to supplier exceeding contract amount	None	-	-
No declaration of local production and content	None	-	-
Expenditure contrary to SCM Processes	None	1 239 039	1 239 039
CIDB grading lower than advertised requirements	None	-	-
Lowest quotation not used	None	-	-
		<u>1 239 039</u>	<u>1 239 039</u>

#### 49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

##### 49.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	686 450	1 092 910
Council subscriptions	1 162 470	936 450
Amount paid - current year	(800 000)	(250 000)
Amount paid - previous years	(686 450)	(1 092 910)
<b>Balance unpaid (included in creditors)</b>	<b><u>362 470</u></b>	<b><u>686 450</u></b>

##### 49.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	2 012 529	1 098 483
Correction of prior period error	-	-
Restated opening balance	2 012 529	1 098 483
Current year audit fee	3 833 410	3 243 705
External Audit - Auditor-General	3 710 916	3 243 705
Internal Audit	-	-
Audit Committee	122 494	-
Amount paid - current year	(1 567 788)	(1 231 176)
Amount paid - previous year	(2 165 604)	(1 098 483)
<b>Balance unpaid (included in creditors)</b>	<b><u>2 112 546</u></b>	<b><u>2 012 529</u></b>

##### 49.3 VAT - [MFMA 125 (1)(c)]

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

##### 49.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance	1 136 892	1 237 838
Correction of prior period error	-	-
Restated opening balance	1 136 892	1 237 838
Current year payroll deductions	15 114 100	13 394 489
Amount paid - current year	(15 113 668)	(12 257 598)
Amount paid - previous year	(271 128)	(1 237 837)
<b>Balance unpaid (included in creditors)</b>	<b><u>866 196</u></b>	<b><u>1 136 892</u></b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>49.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>		
Opening balance	1 417 101	1 362 630
Correction of prior period error		
Restated opening balance	1 417 101	1 362 630
Current year payroll deductions and Council Contributions	17 998 002	17 027 310
Amount paid - current year	(16 463 193)	(15 610 209)
Amount paid - previous year	(1 417 101)	(1 362 630)
<b>Balance unpaid (included in creditors)</b>	<b>1 534 810</b>	<b>1 417 101</b>

**49.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2020:

	Outstanding more than 90 days	Outstanding more than 90 days
WS Jordaan	15 812	-
SH Ruiter	6 001	48 582
DA Markus	-	919
S Kleinbooi	36 964	-

**49.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

**30 June 2020**

			<b>Type of Deviation</b>		
	<b>Amount</b>	<b>Single Supplier</b>	<b>Impossible</b>	<b>Impractical</b>	<b>Emergency</b>
July	258 003	69 827	-	150 808	37 369
August	1 202 896	22 970	-	455 438	724 488
September	908 308	-	-	506 157	402 151
October	1 038 767	-	-	481 117	557 650
November	666 661	-	-	371 421	295 240
December	1 024 727	-	-	195 034	829 693
January	636 990	4 277	-	385 612	247 102
February	693 885	20 884	-	528 558	144 442
March	1 260 608	1 875	-	264 440	994 293
April	402 345	488	-	16 500	385 357
May	556 660	1 453	-	214 827	340 380
June	771 475	-	-	359 743	411 732
	<b>9 421 326</b>	<b>121 774</b>	<b>-</b>	<b>3 929 655</b>	<b>5 369 897</b>

**30 June 2019**

			<b>Type of Deviation</b>		
	<b>Amount</b>	<b>Single Supplier</b>	<b>Impossible</b>	<b>Impractical</b>	<b>Emergency</b>
July	745 200	111 904		289 588	343 708
August	969 250	9 343		535 076	424 830
September	1 125 880	68 109		676 678	381 094
October	1 018 917	62 629		526 397	429 891
November	1 105 256	18 626		458 972	627 658
December	813 235	5 212		459 863	348 160
January	811 573	61 358		540 743	209 472
February	1 443 009	194 063		537 310	711 637
March	826 036	25 879		697 732	102 426
April	827 220	35 394		645 307	146 519
May	1 022 012	2 800		558 302	460 911
June	1 524 442	161 705		792 782	569 955
	<b>12 232 030</b>	<b>757 021</b>	<b>-</b>	<b>6 718 749</b>	<b>4 756 260</b>

**49.8 Broad-Based Black Economic Empowerment Act**

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<b>49.9 Material losses</b>		
<b>Electricity distribution losses</b>		
Units purchased (Kwh)	60 507 185	58 786 512
Units lost during distribution (Kwh)	10 567 272	8 368 555
Percentage lost during distribution	17.46%	14.24%
Distribution loss (Rand Value)	7 482 995	5 172 761

Electricity losses are due to electricity theft on pre-paid meters and illegal connections.

**Water distribution losses**

Units purchased (ml)	2 404 294	2 253 641
Units lost during distribution (ml)	680 951	612 468
Percentage lost during distribution	28.32%	27.18%
Distribution loss (Rand Value)	12 549 927	10 405 831

Normal pipe bursts and field leakages are responsible for water losses.

**50. FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price Risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2020 R	2019 R
1% (2019: 1%) Increase in interest rates	10 544	(128 154)
1% (2019: 1%) Decrease in interest rates	(10 544)	128 154

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

All rates and services are payable within 30 days from invoice date. Refer to note 9 and 10 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 6 for balances included in receivables that were re-negotiated for the period under review.

	2020 %	2020 R	2019 %	2019 R
<u>Non-Current Receivables</u>				
Repay Arrangements	100.00%	2 994 672	100.00%	3 085 100
<u>Non-exchange Receivables</u>				
Rates	96.01%	49 995 215	96.01%	37 943 971
Availability Charges	3.99%	2 080 056	3.99%	-
	100.00%	52 075 272	100.00%	37 943 971
<u>Exchange Receivables</u>				
Electricity	36.35%	64 322 102	35.96%	52 058 839
Water	31.35%	55 482 069	32.23%	46 651 651
Property Rentals	1.99%	3 518 620	2.04%	2 947 541
Waste Management	17.81%	31 507 859	17.96%	26 005 304
Waste Water Management	8.27%	14 639 641	8.63%	12 497 832
Housing Selling Scheme	0.00%	-	0.00%	-
Water and Sanitation Service Authority	0.00%	-	0.00%	-
Abeyance	0.00%	-	0.00%	-
Other	4.23%	7 484 743	3.18%	4 598 255
	100.00%	176 955 034	100.00%	144 759 421

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2020 %	2020 R	2019 %	2019 R
<u>Non-Current Receivables</u>				
Repay Arrangements	1.48%	2 994 672	1.92%	3 085 100
<u>Non-exchange Receivables</u>				
Rates	21.99%	44 379 774	21.31%	34 188 882
Availability Charges	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Services	76.53%	154 450 249	76.77%	123 165 131
	98.52%	201 824 694	98.08%	160 439 113

Ageing of amounts past due but not impaired are as follow:

**2020**

1 month past due  
2+ months past due

Exchange Receivables	Non- exchange Receivables
5 948 667	2 055 858
157 214 802	43 949 626
163 163 469	46 005 485

**2019**

1 month past due  
2+ months past due

4 513 313	1 364 830
17 080 977	2 390 259
21 594 290	3 755 089

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2020 R	2019 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Exchange Transactions	2 994 672	3 085 100
Receivables from exchange transactions	176 955 034	144 759 421
Receivables from non-exchange transactions	55 917 046	42 976 919
Cash and Cash Equivalents	42 539 044	29 442 999
	<u>278 405 795</u>	<u>220 264 439</u>

**(e) Liquidity Risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2020</b>				
Long-term Liabilities	4 160 996	3 406 419	-	-
Trade and Other Payables	352 554 583	-	-	-
	<u>356 715 579</u>	<u>3 406 419</u>	<u>-</u>	<u>-</u>
	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>More than 10 years</b>
<b>2019</b>				
Long-term Liabilities	3 663 670	7 547 178	-	-
Trade and Other Payables	284 287 577	-	-	-
	<u>287 951 247</u>	<u>7 547 178</u>	<u>-</u>	<u>-</u>
			<b>2020 R</b>	<b>2019 R</b>

**51. FINANCIAL INSTRUMENTS**

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

51.1	<b>Financial Assets</b>	<b>Classification</b>		
	<b>Non-Current Receivables</b>			
	Receivables with repay arrangements	Financial Instruments at amortised cost	2 994 672	3 085 100
	<b>Receivables from Exchange Transactions</b>			
	Electricity	Financial Instruments at amortised cost	64 322 102	52 058 839
	Water	Financial Instruments at amortised cost	55 482 069	46 651 651
	Property Rentals	Financial Instruments at amortised cost	3 518 620	2 947 541
	Waste Management	Financial Instruments at amortised cost	31 507 859	26 005 304
	Waste Water Management	Financial Instruments at amortised cost	14 639 641	12 497 832
	Other Arrears	Financial Instruments at amortised cost	7 484 743	6 481 511

**NAMA KHOI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

		<b>2020 R</b>	<b>2019 R</b>
<b>Cash and Cash Equivalents</b>			
Bank Balances	Financial Instruments at amortised cost	15 622 201	8 278 981
Call Deposits	Financial Instruments at amortised cost	26 916 843	21 164 018
<b>Total Financial Assets</b>		<b>222 488 749</b>	<b>179 170 776</b>

**SUMMARY OF FINANCIAL ASSETS**

**Financial Instruments at amortised cost:**

Long-term Receivables	Receivables with repay arrangements	2 994 672	3 085 100
Receivables from Exchange Transactions	Electricity	64 322 102	52 058 839
Receivables from Exchange Transactions	Water	55 482 069	46 651 651
Receivables from Exchange Transactions	Property Rentals	3 518 620	2 947 541
Receivables from Exchange Transactions	Waste Management	31 507 859	26 005 304
Receivables from Exchange Transactions	Waste Water Management	14 639 641	12 497 832
Receivables from Exchange Transactions	Other Arrears	7 484 743	6 481 511
Cash and Cash Equivalents	Bank Balances	15 622 201	8 278 981
Cash and Cash Equivalents	Call Deposits	26 916 843	21 164 018
		<b>222 488 749</b>	<b>179 170 776</b>
<b>Total Financial Assets</b>		<b>222 488 749</b>	<b>179 170 776</b>

**51.2 Financial Liabilities**

**Classification**

**Long-term Liabilities**

Capitalised Lease Liability	Financial Instruments at amortised cost	7 567 415	11 210 848
<b>Trade and Other Payables</b>			
Trade Payables	Financial Instruments at amortised cost	333 406 806	264 196 016
Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	6 890 498	5 474 766
Other Payables	Financial Instruments at amortised cost	11 096 554	11 718 677
Retentions	Financial Instruments at amortised cost	1 160 725	2 033 273
		<b>360 121 999</b>	<b>294 633 579</b>

**SUMMARY OF FINANCIAL LIABILITIES**

**Financial instruments at amortised cost:**

Long-term Liabilities	Capitalised Lease Liability	7 567 415	11 210 848
Trade and Other Payables	Trade Payables	333 406 806	264 196 016
Trade and Other Payables	Control, Clearing and Interface Accounts	6 890 498	5 474 766
Trade and Other Payables	Other Payables	11 096 554	11 718 677
Trade and Other Payables	Retentions	1 160 725	2 033 273
		<b>360 121 999</b>	<b>294 633 579</b>

**52. IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind donations or assistance during the year under review.

**53. PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**54. PRINCIPAL - AGENT ARRANGEMENTS**

**54.1 Principal in other Principal-Agent Arrangements (non-material)**

Nama Khoi Municipality is the Principal in arrangements with service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

The following information is disclosed in aggregate as per GRAP 109 par 61.

**Compensation paid for agency activities**

Commission - Note 38	728 566	-
<b>Total Compensation</b>	<b>728 566</b>	<b>-</b>

There are no resources under the custodianship of the agents, nor have they been recognised as such.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

54.2 Agent in arrangement

Nama Khoi Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

	2020 R	2019 R
<b>Compensation received for agency activities</b>		
Agency Fees	226 101	244 284
<b>Total Compensation received</b>	<b>226 101</b>	<b>244 284</b>

Nama Khoi municipality was paid 12% commission by Provincial Department of Transport for acting as an agent on its behalf during the financial year.

Reconciliation of Agency Funds and Disbursements

Principal name	Total Agency funds received	Amount remitted to the principal	Variance between amounts received and amounts remitted	Explanation of Variance
Provincial Department of Transport	226 101	226 101	-	
	<b>226 101</b>	<b>226 101</b>	<b>-</b>	

55. **CONTINGENT LIABILITY**

The municipality is currently engaged in the following litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

Nama Khoi Municipality / Cornelissen Inc. (obo Schreuders Attorneys)

Legal fees charged to the Municipality which was not sanctioned by Council. Management's estimate of financial exposure, including costs and disbursements - R1 500 000.

Nama Khoi Municipality / ESKOM (obo Werksmans Attorneys)

Municipality and Eskom is currently engaged in Court Proceedings. Nama Khoi currently holds an Court Order prohibiting Eskom to disconnect the electricity. Litigation on going. Eskom claim approx. R89 mil. Management's estimate of financial exposure - R700 000.

Nama Khoi Municipality / Illegal Miners - Kleinzee (obo Werksmans Attorneys)

Review in court over eviction of illegal miners from Kleinzee by De Beers. Management's estimate of financial exposure - R300 000.

Nama Khoi Municipality / Mona Lisa / The Khoisan Revolution & 5 others (obo Webber Wentzel Attorneys)

This matter involves an urgent application for an order suspending the decision taken by the Khoisan Revolution to remove Ms Mona Lisa Isaacs as representative of the Khoisan Revolution and Speaker of the Council of Nama Khoi Municipality and interdicting the respondents from filling such position pending the outcome of the review of the aforementioned decision and an application for an order declaring that the aforementioned decision by the Khoisan Revolution is unlawful and invalid and has no legal standing or effect. Management's estimate of financial exposure in the event that the application to oppose is successful - R250 000.

Nama Khoi Municipality / Okiep Copper Company (Pty) Ltd (obo Webber Wentzel Attorneys)

Application for action for outstanding monies and action for eviction of Springbok Airfield after rental agreement expired. Management's estimate of financial exposure - R15 000 000.

Nama Khoi Municipality / Duane Titus (obo Neville Cloete Attorneys)

Review in Labour court following unfair dismissal. Management's estimate of financial exposure - R70 000.

Nama Khoi Municipality / R Bonn and 54 others (obo Neville Cloete Attorneys)

Review in Labour court following unfair dismissal. Management's estimate of financial exposure - R80 000.

Nama Khoi Municipality / Dept of Labour (obo Neville Cloete Attorneys)

Review in Labour court following unfair dismissal. Management's estimate of financial exposure - 150 000.

Nama Khoi Municipality / F Klaasen (obo Bouwer & Kie Attorneys)

Application for claim for municipal land in Springbok. Management's estimate of financial exposure - R10 000.

**NAMA KHOI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**56. RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

**56.1 Related Party Transactions**

	<b>Rates</b>	<b>Service Charges</b>	<b>Other</b>	<b>Interest</b>	<b>Outstanding Balance</b>	<b>Provision for Debt Impairment</b>
<b>Year ended 30 June 2020</b>						
<b>Councillors</b>						
CW Markus	(1 441)	9 149	518	40	543	-
CE Gertze	663	4 990	446	-	758	-
L Vries	3 517	8 016	-	-	998	-
P Van Reenen	3 274	9 365	253	-	879	-
WS Jordaan	43 425	19 998	-	347	16 342	3 833
R Kritziner	13 114	21 557	-	95	5 033	-
S Kleinbooi	2 563	10 733	240	5	1 654	-
J Van den Heever	2 587	5 489	-	6	805	-
LF Faber	440	3 677	-	-	-	-
SH Ruiter	3 897	5 363	-	32	1 728	303
GJ Coetzee	1 205	12 327	-	-	1 142	-
ZP De Jongh	11 933	7 585	-	41	1 587	-
S Kleinbooi -Dessert Inn	25 638	199 072	-	306	45 622	-
SH Ruiter -Guest House	6 389	13 840	-	6 219	86 189	86 189
WS Jordaan Wonic	-	36 294	-	1 018	21 488	8 439
W Van Schalkwyk	517	4 536	-	0	425	-
ML Isaacs	596	2 173	-	-	-	332
RJ Cloete	1 976	5 089	936	16	2 262	114
	<b>120 294</b>	<b>379 253</b>	<b>2 394</b>	<b>8 125</b>	<b>187 456</b>	<b>99 210</b>
<b>Municipal Manager and Senior Management</b>						
J Cloete	5 821	13 961	-	-	(269)	-
DC Magerman	647	5 028	-	-	3 885	1 640
R Hartley	14 682	11 142	-	-	1 903	-
	<b>21 150</b>	<b>30 130</b>	<b>-</b>	<b>-</b>	<b>5 519</b>	<b>1 640</b>
<b>Year ended 30 June 2019</b>						
<b>Councillors</b>						
CW Markus	5 239	9 263	539	423	4 833	482
CE Gertze	708	4 148	771	-	414	28
L Vries	3 823	7 772	-	-	864	59
P Van Reenen	2 284	8 016	241	1	959	90
WS Jordaan	36 448	19 416	-	169	4 445	352
R Kritziner	14 283	18 856	-	64	2 367	163
S Kleinbooi	2 709	9 438	229	8	1 285	104
J Van den Heever	2 473	6 040	-	-	613	-
LF Faber	868	7 591	-	-	774	66
SJC Van Wyk	1 117	6 334	-	-	3 369	975
SH Ruiter	2 738	4 199	-	11	1 148	177
GJ Coetzee	1 274	10 108	-	-	925	72
ZP De Jongh	888	5 607	-	-	1 335	552
SJC Van Wyk	8 741	7 252	-	27	2 613	-
S Kleinbooi -Dessert Inn	26 913	196 403	-	84	15 776	927
SH Ruiter -Guest House	4 665	19 227	-	4 663	59 741	49 610
WS Jordaan Wonic	-	30 870	-	1 510	3 967	612
W Van Schalkwyk	119	1 119	-	1	839	98
ML Isaacs	276	1 131	-	-	575	87
	<b>115 568</b>	<b>372 789</b>	<b>1 780</b>	<b>6 962</b>	<b>106 841</b>	<b>54 454</b>
<b>Municipal Manager and Senior Management</b>						
R Hartley	15 746	9 348	-	-	1 943	140
WJ Bowers	13 735	11 967	-	-	1 822	124
J Cloete	6 334	11 913	-	-	1 300	87
BJ Love	13 103	17 520	-	-	2 005	123
DC Magerman	3 795	4 451	-	-	703	-
	<b>52 713</b>	<b>55 198</b>	<b>-</b>	<b>-</b>	<b>7 772</b>	<b>474</b>

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Related party relationship

Councillors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

**56.2 Compensation of key management personnel**

The compensation of key management personnel is set out in note 33 to the Annual Financial Statements.

**56.3 Current Employee Benefits**

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2020:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations
SA Titus-Tatas	Municipal Manager	131 908	-
HE Cloete	Chief Financial Officer	98 536	28 364
JS Cloete	Head: Technical Services	166 322	-
DC Magerman	Head: Corporate Services	75 367	38 117
R Hartley	Head : Community Services	113 451	52 711
		<b>585 582</b>	<b>119 192</b>

The Municipality has the following current employee benefit obligations and made other Non-Employee Related Cost payments towards senior management on 30 June 2019:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations
SA Titus	Municipal Manager	131 345	-
HE Cloete	Chief Financial Officer	70 711	26 009
JS Cloete	Head: Technical Services	131 877	-
DC Magerman	Head: Corporate Services	72 979	35 791
		<b>406 911</b>	<b>61 799</b>
		<b>2020</b>	<b>2019</b>
		<b>R</b>	<b>R</b>

**56.4 Other related party transactions**

The following purchases were made during the year where Councillors or staff have an interest:

Company Name	Related Party	Service Capacity	Relationship		
Uutkoms Takeaways	J Brandt	Nama Khoi Municipality - Sewerage	Husband	-	7 380
Rosy's Kitchen	J Louw	Department of Public Works	Husband	-	149 758
				<b>-</b>	<b>157 138</b>

**57. FINANCIAL SUSTAINABILITY**

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Nama Khoi communities resulted in a serious risk for Nama Khoi Municipality's going concern.

Unless sustainable job creation is achieved, Nama Khoi Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The average creditors payment period is 728 days (2019: 635 days).

The municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets with R324 051 097 (2019: R262 603 620).

The municipality have budgeted for a deficit of R56 057 382 for the 2020/2021 financial year and R48 394 640 for the 2021/2022 year. The municipality has also budgeted for cash flows of R1 482 240 for 2020/2021 and R154 434 for the 2021/2022 financial year.

NCPT has assisted the municipality to prepare a financial recovery plan. The plan was approved by council.

COGTA is currently assisting the municipality with revenue enhancement strategies and verification of consumer data.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

**COVID-19 - Background**

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

**COVID-19 - Impact on Municipality**

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality however, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so.

**COVID-19 - Response Expenditure**

There are no prior year information available regarding expenditure in lieu of Covid-19. The summary below indicates the total Covid-19 response expenditure for the period ending 30 June 2020.

Type of expenditure	Nature of expenditure	Supplier	2020 R	2019 R
Computer for new paypoint	Inventory consumed	Platinum Computers	28 785	-
Graves	Inventory consumed	Van Den Heever Sweiswerke & Consti	71 500	-
Disinfected Items	Inventory consumed	L&D Electrical	87 707	-
Airtime	Inventory consumed	Cash	18 464	-
Parts for tank	Inventory consumed	Agri Boer	1 192	-
Meals	Inventory consumed	Repayment: RC Hartley	572	-
Pine Disinfection	Inventory consumed	Edds Logistics and Admin	28 000	-
Sanitiser	Inventory consumed	JLK Business Consulting	58 650	-
Gloves	Inventory consumed	JLK Business Consulting	29 843	-
Selfmade Sanitiser	Inventory consumed	Ruarks Management	56 480	-
Gloves	Inventory consumed	Edd Logistics and Admin	25 000	-
Pine Disinfection	Inventory consumed	Edd Logistics and Admin	28 500	-
Face Masks	Inventory consumed	Edd Logistics and Admin	29 000	-
Medical Mask	Inventory consumed	Snow Line Trading 555cc	29 700	-
Hand Sanitiser	Inventory consumed	L&D Electrical	25 600	-
Disinfected Items	Inventory consumed	Agri Boer	6 453	-
Coveralls Bodysuits Disposable	Inventory consumed	Edd Logistics and Admin	30 000	-
Disinfected Items	Inventory consumed	L&D Electrical	29 520	-
Fittings for geysers at Nababeep hospital	Inventory consumed	L&D Electrical	6 413	-
Disinfected Items - Sprayer	Inventory consumed	Agri Boer	1 840	-
Disinfected Items	Inventory consumed	Edd Logistics and Admin	103 280	-
Disinfected Items	Inventory consumed	Blue Petroleum	12 530	-
Covid-19 PPE	Inventory consumed	Agri Boer	4 319	-
Thermometers and Dispensers	Inventory consumed	Blue Petroleum	55 075	-
Meals	Inventory consumed	Repayment: Mayor (R Cloete)	1 452	-
Water, juice and meals for program in Okiep	Inventory consumed	Ruarks Management	5 500	-
Face Masks	Inventory consumed	SS Investment Project	15 180	-
			<b>790 555</b>	<b>-</b>
The Covid-19 response expenditure is funded from the following sources:				
Own Revenue			608 555	-
Grant Funding			182 000	-
			<b>790 555</b>	<b>-</b>

**58. EVENTS AFTER REPORTING PERIOD**

Within the municipal space, the effects of COVID-19 is likely to be a current period event which will require ongoing evaluation to determine the extent to which developments after the reporting date, should be recognised in the current reporting period. Council has approved our revised budget for 2020/21 which includes various concessions in order to further mitigate the economic impact of the virus on our communities.

The Office of the Premier of the Northern Cape has established a task team consisting out of representatives of NC COGHTHA, Department of Water and Sanitation, Sedibeng Water Board, Provincial Treasury, SALGA, and Nama Khoi Municipality to resolve the matter between Nama Khoi Municipality and Sedibeng Water regarding outstanding debt.

No further events which may have financial implications for the municipality and warrants disclosure in the financial statements occurred after to 30 June 2020.

**APPENDIX A**  
**NAMA KHOI MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2019</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2020</b>
<b>LEASE LIABILITY</b>							
Nashua (New lease printers)	10.25%	Various	31/12/2021	880 094	-	(325 354)	554 741
ABSA Vehicle rentals	10.25%	Various	31/03/2022	10 330 753	-	(3 318 079)	7 012 675
<b>Total Lease Liabilities</b>				11 210 848	-	(3 643 432)	7 567 415
<b>TOTAL EXTERNAL LOANS</b>				11 210 848	-	(3 643 432)	7 567 415

**APPENDIX B**  
**NAMA KHOI MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
			<b>Governance and Administration</b>			
1 562 710	(19 882 396)	(18 319 685)	Executive and council	1 590 327	(20 183 716)	(18 593 389)
111 878 428	(126 130 504)	(14 252 076)	Finance and administration	113 660 507	(127 330 449)	(13 669 942)
-	(966 788)	(966 788)	Internal audit	-	(1 179 429)	(1 179 429)
			<b>Community and Public Safety</b>			
2 030 936	(4 928 022)	(2 897 087)	Community and social services	2 439 958	(5 348 155)	(2 908 197)
(3 034)	(3 394 960)	(3 397 994)	Sport and recreation	69 242	(4 039 537)	(3 970 294)
-	(2 677 159)	(2 677 159)	Public safety	1 810	(2 985 488)	(2 983 678)
-	-	-	Housing	-	-	-
-	-	-	Health	-	-	-
			<b>Economic and Environmental Services</b>			
-	(1 296 568)	(1 296 568)	Planning and development	-	(2 018 020)	(2 018 020)
2 018 981	(26 925 401)	(24 906 420)	Road transport	1 538 973	(20 625 172)	(19 086 199)
-	-	-	Environmental protection	-	-	-
			<b>Trading Services</b>			
86 614 416	(87 403 034)	(788 617)	Energy sources	84 962 967	(100 519 106)	(15 556 139)
45 438 193	(45 656 225)	(218 033)	Water management	36 631 629	(58 845 402)	(22 213 774)
20 826 790	(9 599 933)	11 226 857	Waste water management	20 743 078	(15 249 601)	5 493 477
13 087 607	(12 422 617)	664 990	Waste management	13 532 458	(12 207 989)	1 324 470
31 477	-	31 477	<b>Other</b>	109 042	-	109 042
283 486 504	(341 283 606)	(57 797 102)	Sub Total	275 279 992	(370 532 064)	(95 252 073)
-	-	-	Less Inter-Departmental Charges	-	-	-
283 486 504	(341 283 606)	(57 797 102)	<b>Total</b>	275 279 992	(370 532 064)	(95 252 073)

**APPENDIX C**  
**NAMA KHOI MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**  
**MUNICIPAL VOTES CLASSIFICATIONS**

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
			<b>Municipal Manager</b>			
208 113	(7 615 926)	(7 407 813)	Council General Administration	204 875	(8 013 676)	(7 808 801)
12 957	(12 218 113)	(12 205 156)	Office Of the Municipal Manager	-	(11 347 763)	(11 347 763)
808	(132 313)	(131 505)	Disaster Risk Management	680	(112 622)	(111 942)
-	-	-	Performance Management	-	(3 273)	(3 273)
-	(966 788)	(966 788)	Internal Auditing	-	(1 179 429)	(1 179 429)
-	-	-	Communication & Media	-	-	-
1 341 641	(127 874)	1 213 767	Planning And Development	1 385 452	(822 277)	563 175
-	(9 660)	(9 660)	Tourism, IDP & LED	-	(565 434)	(565 434)
			<b>Financial Services</b>			
			Accounting, Budget and Finance Management	4 092 750	(4 572 729)	(479 978)
3 740 515	(4 536 159)	(795 644)	Expenditure & Supply Chain	10 769	(15 477 745)	(15 466 976)
8 015	(12 749 318)	(12 741 304)	Income and Debtors	3 070 188	(742 542)	2 327 646
2 582 810	(931 068)	1 651 742	Manager: Financial Services	57 325 556	(61 828 595)	(4 503 040)
52 308 752	(53 572 084)	(1 263 333)	Property Rates and Valuation Services	51 321 993	(238 258)	51 083 735
47 470 760	-	47 470 760				
			<b>Corporate Services</b>			
			Administrative Support & Corporate Advice	-	-	-
-	-	-	Archival Services	-	-	-
(770 636)	(1 913 609)	(2 684 245)	Cleaning Services	(4 783)	(1 923 614)	(1 928 397)
4 584 893	(1 395 252)	3 189 641	Human Resources	(3 785 280)	(1 616 944)	(5 402 224)
-	-	-	Legal And Development Planning	-	-	-
446	(18 236 822)	(18 236 376)	Corporate Serv: Manager	585	(19 081 633)	(19 081 048)
1 934 814	(555 653)	1 379 161	Municipal Property Management	1 606 974	(585 922)	1 021 052
14 398	(5 703 377)	(5 688 980)	Corporate Service: ICT	11 824	(4 201 278)	(4 189 454)
			<b>Community Services: Community Development</b>			
46 410	(95 653)	(49 243)	Cemeteries	44 911	(339 519)	(294 609)
1 065 702	(870 257)	195 445	Commonage Farms	1 158 027	(1 045 278)	112 749
-	-	-	Environmental Health	-	-	-
-	(294 388)	(294 388)	Museum	-	(307 178)	(307 178)
744 737	(3 165 279)	(2 420 542)	Libraries & Information Services	1 110 588	(3 241 910)	(2 131 323)
186 186	(874 258)	(688 072)	Manager: Community Development	135 684	(817 530)	(681 847)
(23 346)	-	(23 346)	Municipal Airport	59 112	-	59 112
3 656	(1 765 715)	(1 762 059)	Parks and Open Areas	43 883	(1 987 376)	(1 943 492)
			Refuse Removal and Waste Management	13 532 458	(12 207 989)	1 324 470
13 087 607	(12 422 617)	664 990	Sport Facilities	25 359	(2 052 161)	(2 026 802)
(6 690)	(1 629 245)	(1 635 935)				
			<b>Community Services: Public Safety</b>			
-	(896 022)	(896 022)	Emergency, Fire & Disaster	-	(1 081 370)	(1 081 370)
54 823	(2 305 347)	(2 250 524)	Law Enforcement Services	51 740	(2 582 227)	(2 530 486)
-	-	-	Municipal Pound	-	-	-
2 018 981	(5 181 157)	(3 162 176)	Traffic Services	1 538 973	(5 601 964)	(4 062 990)
-	-	-	Vehicle Testing and Licences	-	-	-
			<b>Infrastructure, Engineering &amp; Technical Services</b>			
-	-	-	Building control and regulations	-	-	-
-	(17 149 784)	(17 149 784)	Manager: Infrastructure	-	(9 934 469)	(9 934 469)
(9 246)	(25 559 853)	(25 569 099)	Workshops	-	(16 021 087)	(16 021 087)
-	(1 156 364)	(1 156 364)	Project Management Unit	-	(1 295 422)	(1 295 422)
-	-	-	Public Toilets	-	-	-
-	(4 594 460)	(4 594 460)	Roads	-	(5 088 740)	(5 088 740)
20 826 790	(9 599 933)	11 226 857	Sewerage and Sanitation	20 743 078	(15 249 601)	5 493 477
-	-	-	Stormwater	-	-	-
-	-	-	Vehicle, Plant and Machinery	-	-	-
45 438 193	(45 656 225)	(218 033)	Water	36 631 629	(58 845 402)	(22 213 774)
86 614 416	(87 403 034)	(788 617)	Electrical Engineering Services	84 962 967	(100 519 106)	(15 556 139)
283 486 504	(341 283 606)	(57 797 102)	Sub Total	275 279 992	(370 532 064)	(95 252 073)
-	-	-	Less Inter-Departmental Charges	-	-	-
283 486 504	(341 283 606)	(57 797 102)	<b>Total</b>	275 279 992	(370 532 064)	(95 252 073)

**APPENDIX D**  
**NAMA KHOI MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2019	Correction of Error	Restated Balance 30 June 2019	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2020	Unspent 30 June 2020 (Creditor)	Unpaid 30 June 2020 (Debtor)
<b><u>National Government Grants</u></b>											
Equitable Share	-	-	-	47 830 000	-	-	(47 830 000)	-	-	-	-
Expanded Public Works Programme	468	-	468	1 058 000	-	-	(1 057 581)	-	887	887	-
Finance Management Grant	-	-	-	2 680 000	-	-	(2 680 000)	-	-	-	-
Municipal Infrastructure Grant	1 864 302	-	1 864 302	14 593 000	-	(1 900 000)	-	(9 212 533)	5 344 769	5 344 769	-
Integrated National Electrification Grant	4 872 830	-	4 872 830	-	-	(4 900 000)	-	27 170	0	0	-
Water Services Infrastructure Grant	517 259	-	517 259	15 000 000	-	(1 700 000)	-	(2 169 189)	11 648 071	11 648 071	-
<b>Total National Government Grants</b>	<b>7 254 859</b>	<b>-</b>	<b>7 254 859</b>	<b>81 161 000</b>	<b>-</b>	<b>(8 500 000)</b>	<b>(51 567 581)</b>	<b>(11 354 551)</b>	<b>16 993 727</b>	<b>16 993 727</b>	<b>-</b>
<b><u>Provincial Government Grants</u></b>											
Libraries, Archives and Museums	-	-	-	1 095 000	-	-	(1 095 000)	-	-	-	-
Department of Water Affairs - WSACDBF	510 747	-	510 747	-	-	-	-	-	510 747	510 747	-
LG SETA	170 784	-	170 784	-	-	-	-	-	170 784	170 784	-
Department Sport, Arts and Culture	308 500	-	308 500	-	-	-	-	-	308 500	308 500	-
Swimming Pool	450 000	-	450 000	-	-	-	-	-	450 000	450 000	-
World Cup 2010	52 139	-	52 139	-	-	-	-	-	52 139	52 139	-
Municipal Disaster Recovery Grant	3 887 541	-	3 887 541	-	-	-	-	(3 070 184)	817 356	817 356	-
Fire Equipment	52 264	-	52 264	-	-	-	-	-	52 264	52 264	-
Housing	-	-	-	2 088 000	-	-	-	-	2 088 000	2 088 000	-
<b>Total Provincial Government Grants</b>	<b>5 431 974</b>	<b>-</b>	<b>5 431 974</b>	<b>3 183 000</b>	<b>-</b>	<b>-</b>	<b>(1 095 000)</b>	<b>(3 070 184)</b>	<b>4 449 790</b>	<b>4 449 790</b>	<b>-</b>
<b><u>Other Grant Providers</u></b>											
Wade Project	40 362	-	40 362	-	-	-	-	-	40 362	40 362	-
<b>Total Other Grant Providers</b>	<b>40 362</b>	<b>-</b>	<b>40 362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40 362</b>	<b>40 362</b>	<b>-</b>
<b>Total Grants</b>	<b>12 727 195</b>	<b>-</b>	<b>12 727 195</b>	<b>84 344 000</b>	<b>-</b>	<b>(8 500 000)</b>	<b>(52 662 581)</b>	<b>(14 424 736)</b>	<b>21 483 879</b>	<b>21 483 879</b>	<b>-</b>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.



**Nama Khoi Municipality - Reconciliation of Table A1 Budget Summary**

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28 )	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>R thousands</b>												
<b>Financial Performance</b>												
Property rates	48 300	(5 066)	43 234	51 322		(8 088)	118.7%	106.3%				47 471
Service charges	156 785	20	156 805	140 895		15 910	89.9%	89.9%				133 131
Investment revenue	1 344	(0)	1 343	3 300		(1 957)	245.6%	245.6%				3 260
Transfers recognised - operational	1 225	–	1 225	226		999	18.4%	18.4%				–
Other own revenue	72 659	(744)	71 915	70 408		1 508	97.9%	96.9%				61 330
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>280 313</b>	<b>(5 790)</b>	<b>274 523</b>	<b>266 151</b>	<b>–</b>	<b>8 372</b>	<b>97.0%</b>	<b>94.9%</b>				<b>245 192</b>
Employee costs	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Remuneration of councillors	95 623	150	95 773	94 231	–	1 542	98.4%	98.5%	–	–	–	81 418
Depreciation & asset impairment	6 399	256	6 655	6 210	–	444	93.3%	97.1%	–	–	–	5 985
Finance charges	19 601	–	19 601	41 430	–	(21 828)	211.4%	211.4%	–	–	–	388
Materials and bulk purchases	39 425	–	39 425	43 163	–	(3 738)	109.5%	109.5%	–	–	–	43 502
Transfers and grants	118 003	(10 000)	108 003	141 457	–	(33 454)	131.0%	119.9%	–	–	–	119 017
Other expenditure	30 437	(8 660)	21 777	–	–	21 777			–	–	–	–
<b>Total Expenditure</b>	<b>589 800</b>	<b>(24 043)</b>	<b>565 757</b>	<b>592 641</b>	<b>–</b>	<b>(26 884)</b>	<b>104.8%</b>	<b>100.5%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>495 502</b>
<b>Surplus/(Deficit)</b>	<b>(517 141)</b>	<b>23 300</b>	<b>(493 842)</b>	<b>(522 234)</b>	<b>–</b>	<b>28 392</b>	<b>105.7%</b>	<b>101.0%</b>				<b>(434 172)</b>
Transfers recognised - capital	–	–	–	–		–	#DIV/0!	0.0%				–
Contributions recognised - capital & contributed assets	27 536	–	26 042	14 425		11 618	55.4%	52.4%				33 335
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(489 606)</b>	<b>23 300</b>	<b>(467 799)</b>	<b>(507 809)</b>	<b>–</b>	<b>40 010</b>	<b>108.6%</b>	<b>103.7%</b>				<b>(400 837)</b>
Share of surplus/ (deficit) of associate	–	–	–	–		–	#DIV/0!	0.0%				–
<b>Surplus/(Deficit) for the year</b>	<b>(489 606)</b>	<b>23 300</b>	<b>(467 799)</b>	<b>(507 809)</b>	<b>–</b>	<b>40 010</b>	<b>108.6%</b>	<b>103.7%</b>				<b>(400 837)</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>												
Transfers recognised - capital												
Public contributions & donations	27 536	(1 493)	26 042	–		26 042	0.0%	0.0%				–
Borrowing	–	–	–	–		–	#DIV/0!	0.0%				–
Internally generated funds	–	–	–	–		–	#DIV/0!	0.0%				–
<b>Total sources of capital funds</b>	<b>27 536</b>	<b>(1 493)</b>	<b>26 042</b>	<b>–</b>	<b>–</b>	<b>26 042</b>	<b>0.0%</b>	<b>0.0%</b>				<b>–</b>
<b>Cash flows</b>												
Net cash from (used) operating	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Net cash from (used) investing	24 362	15 646	40 008	26 741		13 267	66.8%	109.8%				44 348
Net cash from (used) financing	(29 009)	1 643	(27 365)	(10 127)		(17 239)	37.0%	34.9%				(39 869)
<b>Cash/cash equivalents at the year end</b>	<b>(4 524)</b>	<b>4 612</b>	<b>88</b>	<b>(3 518)</b>		<b>3 606</b>	<b>-4016.1%</b>	<b>77.8%</b>				<b>11 359</b>

Nama Khoi Municipality - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Original Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<b>Governance and administration</b>	109 656	(5 066)	104 590	115 251		(10 661)	110.2%	105.1%				113 441
Executive and council	1 773	–	1 773	1 590		183	89.7%	89.7%				1 563
Finance and administration	107 883	(5 066)	102 817	113 661		(10 844)	110.5%	105.4%				111 878
Internal audit	–	–	–	–		–	0.0%	0.0%				–
<b>Community and public safety</b>	3 789	(54)	3 735	2 511		1 224	67.2%	66.3%				2 028
Community and social services	2 463	(54)	2 409	2 440		(31)	101.3%	99.1%				2 031
Sport and recreation	38	–	38	69		(31)	181.4%	181.4%				(3)
Public safety	–	–	–	2		(2)	#DIV/0!	0.0%				–
Housing	1 288	–	1 288	–		1 288	0.0%	0.0%				–
Health	–	–	–	–		–	#DIV/0!	0.0%				–
<b>Economic and environmental services</b>	7 101	–	7 101	1 539		5 562	21.7%	21.7%				2 019
Planning and development	–	–	–	–		–	#DIV/0!	0.0%				–
Road transport	7 101	–	7 101	1 539		5 562	21.7%	21.7%				2 019
Environmental protection	–	–	–	–		–	#DIV/0!	0.0%				–
<b>Trading services</b>	187 303	(2 163)	185 140	155 979		29 160	83.2%	83.3%				165 998
Electricity	99 400	(4 000)	95 400	84 963		10 437	89.1%	85.5%				86 614
Water	45 124	1 875	46 999	36 632		10 368	77.9%	81.2%				45 438
Waste water management	28 342	–	28 342	20 743		7 599	73.2%	73.2%				20 827
Waste management	14 355	–	14 355	13 532		823	94.3%	94.3%				13 088
<b>Other</b>	81	(38)	43	109		(66)	252.7%	134.3%				31
<b>Total Revenue - Standard</b>	307 849	(7 283)	300 566	275 280		25 286	91.6%	89.4%				283 487
<b>Expenditure - Standard</b>												
<b>Governance and administration</b>	122 719	(8 783)	113 936	148 694	–	(34 758)	130.5%	121.2%	–	–	–	146 980
Executive and council	20 794	(954)	19 840	20 184	–	(344)	101.7%	97.1%	–	–	–	19 882
Finance and administration	100 633	(7 965)	92 668	127 330	–	(34 663)	137.4%	126.5%	–	–	–	126 131
Internal audit	1 292	136	1 429	1 179	–	249	82.6%	91.3%	–	–	–	967
<b>Community and public safety</b>	16 390	(1 490)	14 900	12 373	–	2 527	83.0%	75.5%	–	–	–	11 000
Community and social services	7 800	(333)	7 467	5 348	–	2 119	71.6%	68.6%	–	–	–	4 928
Sport and recreation	5 109	(787)	4 322	4 040	–	282	93.5%	79.1%	–	–	–	3 395
Public safety	3 481	(370)	3 110	2 985	–	125	96.0%	85.8%	–	–	–	2 677
Housing	–	–	–	–	–	–	#DIV/0!	0.0%	–	–	–	–
Health	–	–	–	–	–	–	#DIV/0!	0.0%	–	–	–	–
<b>Economic and environmental services</b>	24 711	221	24 931	22 643	–	2 288	90.8%	91.6%	–	–	–	28 222
Planning and development	2 020	247	2 266	2 018	–	248	89.0%	99.9%	–	–	–	1 297
Road transport	22 691	(26)	22 665	20 625	–	2 040	91.0%	90.9%	–	–	–	26 925
Environmental protection	–	–	–	–	–	–	#DIV/0!	0.0%	–	–	–	–
<b>Trading services</b>	184 474	(13 953)	170 521	186 822	–	(16 301)	109.6%	101.3%	–	–	–	155 082
Electricity	105 804	(7 702)	98 102	100 519	–	(2 417)	102.5%	95.0%	–	–	–	87 403
Water	49 799	(6 171)	43 629	58 845	–	(15 217)	134.9%	118.2%	–	–	–	45 656
Waste water management	17 193	(160)	17 033	15 250	–	1 783	89.5%	88.7%	–	–	–	9 600
Waste management	11 678	80	11 758	12 208	–	(450)	103.8%	104.5%	–	–	–	12 423
<b>Other</b>	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
<b>Total Expenditure - Standard</b>	348 293	(24 005)	324 288	370 532	–	(46 244)	114.3%	106.4%	–	–	–	341 284
<b>Surplus/(Deficit) for the year</b>	(40 444)	16 722	(23 722)	(95 252)	–	71 530	401.5%	235.5%	–	–	–	(57 797)

**Nama Khoi Municipality - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description  R thousand	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - Municipal Manager	1 774	–	1 774	1 591		183	89.7%	89.7%				1 564
Vote 2 - Financial Services	107 684	(5 066)	102 618	115 821		(13 203)	112.9%	107.6%				106 111
Vote 3 - Corporate Services	196	–	196	(2 171)		2 366	-1109.7%	-1109.7%				5 764
Vote 4 - Community Services: Community Development	18 143	(54)	18 089	16 110		1 979	89.1%	88.8%				15 104
Vote 5 - Community Services: Public Safety	2 631	(38)	2 593	1 591		1 003	61.3%	60.5%				2 074
Vote 6 - Infrastructure, Engineering & Technical Services	177 420	(2 125)	175 295	142 338		32 958	81.2%	80.2%				152 870
<b>Total Revenue by Vote</b>	<b>307 849</b>	<b>(7 283)</b>	<b>300 566</b>	<b>275 280</b>		<b>25 286</b>	<b>91.6%</b>	<b>89.4%</b>				<b>283 487</b>
<b>Expenditure by Vote, to be appropriated</b>												
Vote 1 - Municipal Manager	23 156	(1 055)	22 101	22 044	–	56	99.7%	95.2%	–	–	–	21 071
Vote 2 - Financial Services	48 588	(693)	47 895	82 860	–	(34 965)	173.0%	170.5%	–	–	–	71 789
Vote 3 - Corporate Services	35 309	(5 561)	29 748	27 409	–	2 338	92.1%	77.6%	–	–	–	27 805
Vote 4 - Community Services: Community Development	24 987	(1 038)	23 949	21 999	–	1 950	91.9%	88.0%	–	–	–	21 117
Vote 5 - Community Services: Public Safety	9 699	348	10 047	9 266	–	781	92.2%	95.5%	–	–	–	8 383
Vote 6 - Infrastructure, Engineering & Technical Services	206 555	(16 006)	190 549	206 954	–	(16 405)	108.6%	100.2%	–	–	–	191 120
<b>Total Expenditure by Vote</b>	<b>348 293</b>	<b>(24 005)</b>	<b>324 288</b>	<b>370 532</b>	<b>–</b>	<b>(46 244)</b>	<b>114.3%</b>	<b>106.4%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>341 284</b>
<b>Surplus/(Deficit) for the year</b>	<b>(40 444)</b>	<b>16 722</b>	<b>(23 722)</b>	<b>(95 252)</b>		<b>71 530</b>	<b>401.5%</b>	<b>235.5%</b>				<b>(57 797)</b>

Nama Khoi Municipality - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	48 300	(5 066)	43 234	51 322		(8 088)	118.7%	106.3%				47 471
Service charges - electricity revenue	94 193	20	94 213	84 893		9 320	90.1%	90.1%				80 125
Service charges - water revenue	36 309	–	36 309	31 090		5 219	85.6%	85.6%				29 019
Service charges - sanitation revenue	11 938	–	11 938	11 378		559	95.3%	95.3%				10 907
Service charges - refuse revenue	14 345	–	14 345	13 534		811	94.3%	94.3%				13 080
Rental of facilities and equipment	1 344	(0)	1 343	3 300		(1 957)	245.6%	245.6%				3 260
Interest earned - external investments	1 315	–	1 315	2 008		(692)	152.6%	152.6%				1 778
Interest earned - outstanding debtors	7 403	–	7 403	11 854		(4 451)	160.1%	160.1%				10 599
Dividends received	–	–	–	–		–	#DIV/0!	0.0%				–
Fines, penalties and forfeits	212	–	212	435		(222)	204.5%	204.5%				589
Licences and permits	1 524	(65)	1 460	1 011		449	69.2%	66.3%				1 280
Agency services	1 225	–	1 225	226		999	18.4%	18.4%				–
Transfers and subsidies	60 008	(652)	59 357	52 663		6 694	88.7%	87.8%				45 937
Other revenue	2 196	(27)	2 169	2 438		(270)	112.4%	111.0%				1 147
Gains on disposal of PPE	–	–	–	–		–	#DIV/0!	0.0%				(39 067)
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>280 313</b>	<b>(5 790)</b>	<b>274 523</b>	<b>266 150.974</b>		<b>8 372</b>	<b>97.0%</b>	<b>94.9%</b>				<b>206 125</b>
<b>Expenditure By Type</b>												
Employee related costs	95 623	150	95 773	94 231	–	1 542	98.4%	98.5%	–	–	–	81 418
Remuneration of councillors	6 399	256	6 655	6 210	–	444	93.3%	97.1%	–	–	–	5 985
Debt impairment	19 601	–	19 601	41 430	–	(21 828)	211.4%	211.4%	–	–	–	388
Depreciation & asset impairment	39 425	–	39 425	43 163	–	(3 738)	109.5%	109.5%	–	–	–	43 502
Finance charges	2 557	–	2 557	17 107	–	(14 550)	669.1%	669.1%	–	–	–	12 471
Bulk purchases	115 446	(10 000)	105 446	124 349	–	(18 903)	117.9%	107.7%	–	–	–	106 546
Other materials	9 599	(2 846)	6 753	7 044	–	(291)	104.3%	73.4%	–	–	–	10 209
Contracted services	30 437	(8 660)	21 777	–	–	21 777	0.0%	0.0%	–	–	–	–
Transfers and grants	–	–	–	–	–	–	#DIV/0!	0.0%	–	–	–	–
Other expenditure	29 206	(2 906)	26 300	40 216	–	(13 915)	152.9%	137.7%	–	–	–	35 110
Loss on disposal of PPE	–	–	–	2 078	–	(2 078)	0.0%	0.0%	–	–	–	–
<b>Total Expenditure</b>	<b>348 293</b>	<b>(24 005)</b>	<b>324 288</b>	<b>375 827.782</b>	<b>–</b>	<b>(51 540)</b>	<b>115.9%</b>	<b>107.9%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>295 630</b>
<b>Surplus/(Deficit)</b>	<b>(67 979)</b>	<b>18 215</b>	<b>(49 765)</b>	<b>(109 677)</b>		<b>59 912</b>	<b>220.4%</b>	<b>161.3%</b>				<b>(89 505)</b>
Transfers recognised - capital	27 536	(1 493)	26 042	14 425		11 618	55.4%	52.4%				33 335
Contributions recognised - capital	–	–	–	–		–	#DIV/0!	0.0%				–
Contributed assets	–	–	–	–		–	#DIV/0!	0.0%				–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(40 444)</b>	<b>16 722</b>	<b>(23 722)</b>	<b>(95 252)</b>		<b>71 530</b>	<b>401.5%</b>	<b>235.5%</b>				<b>(56 169)</b>
Taxation	–	–	–	–		–	#DIV/0!	0.0%				–
<b>Surplus/(Deficit) after taxation</b>	<b>(40 444)</b>	<b>16 722</b>	<b>(23 722)</b>	<b>(95 252)</b>		<b>71 530</b>	<b>401.5%</b>	<b>235.5%</b>				<b>(56 169)</b>
Attributable to minorities	–	–	–	–		–	#DIV/0!	0.0%				–
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(40 444)</b>	<b>16 722</b>	<b>(23 722)</b>	<b>(95 252)</b>		<b>71 530</b>	<b>401.5%</b>	<b>235.5%</b>				<b>(56 169)</b>
Share of surplus/ (deficit) of associate	–	–	–	–		–	#DIV/0!	0.0%				–
<b>Surplus/(Deficit) for the year</b>	<b>(40 444)</b>	<b>16 722</b>	<b>(23 722)</b>	<b>(95 252)</b>		<b>71 530</b>	<b>401.5%</b>	<b>235.5%</b>				<b>(56 169)</b>

Nama Khoi Municipality - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2019/20								2018/19			
	Original Budget	Total Budget Adjustments (i.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure</b>												
Vote 1 - Municipal Manager	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Vote 2 - Financial Services	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Vote 4 - Community Services: Community Develop	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Vote 5 - Community Services: Public Safety	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Vote 6 - Infrastructure, Engineering & Technical Se	22 537	(452)	22 085	-	-	22 085	0%	0%	-	-	-	-
<b>Capital multi-year expenditure</b>	<b>22 537</b>	<b>(452)</b>	<b>22 085</b>	<b>-</b>	<b>-</b>	<b>22 085</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Single-year expenditure</b>												
Vote 1 - Municipal Manager	593	-	593	-	-	593	0%	0%	-	-	-	-
Vote 2 - Financial Services	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Vote 3 - Corporate Services	250	-	250	-	-	250	0%	0%	-	-	-	-
Vote 4 - Community Services: Community Develop	1 120	-	1 120	-	-	1 120	0%	0%	-	-	-	-
Vote 5 - Community Services: Public Safety	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Vote 6 - Infrastructure, Engineering & Technical Se	4 508	(1 191)	3 317	-	-	3 317	0%	0%	-	-	-	-
<b>Capital single-year expenditure</b>	<b>6 471</b>	<b>(1 191)</b>	<b>5 280</b>	<b>-</b>	<b>-</b>	<b>5 280</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Vote</b>	<b>29 009</b>	<b>(1 643)</b>	<b>27 365</b>	<b>-</b>	<b>-</b>	<b>27 365</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital Expenditure - Standard</b>												
<b>Governance and administration</b>	<b>750</b>	<b>-</b>	<b>750</b>	<b>-</b>	<b>-</b>	<b>750</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Executive and council	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Finance and administration	750	-	750	-	-	750	0%	0%	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	<b>1 120</b>	<b>-</b>	<b>1 120</b>	<b>-</b>	<b>-</b>	<b>1 120</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Community and social services	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Sport and recreation	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Public safety	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Housing	1 120	-	1 120	-	-	1 120	0%	0%	-	-	-	-
Health	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
<b>Economic and environmental services</b>	<b>4 706</b>	<b>4 969</b>	<b>9 675</b>	<b>-</b>	<b>-</b>	<b>9 675</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Planning and development	93	-	93	-	-	93	0%	0%	-	-	-	-
Road transport	4 613	4 969	9 582	-	-	9 582	0%	0%	-	-	-	-
Environmental protection	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
<b>Trading services</b>	<b>22 433</b>	<b>(6 612)</b>	<b>15 820</b>	<b>-</b>	<b>-</b>	<b>15 820</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Electricity	3 957	(3 657)	300	-	-	300	0%	0%	-	-	-	-
Water	4 283	(1 948)	2 335	-	-	2 335	0%	0%	-	-	-	-
Waste water management	14 193	(1 008)	13 185	-	-	13 185	0%	0%	-	-	-	-
Waste management	-	-	-	-	-	-	0%	0%	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>29 009</b>	<b>(1 643)</b>	<b>27 365</b>	<b>-</b>	<b>-</b>	<b>27 365</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funded by:</b>												
National Government	27 483	(1 493)	25 990	-	-	25 990	0%	0%	-	-	-	-
Provincial Government	52	-	52	-	-	52	0%	0%	-	-	-	-
District Municipality	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
<b>Transfers recognised - capital</b>	<b>27 536</b>	<b>(1 493)</b>	<b>26 042</b>	<b>-</b>	<b>-</b>	<b>26 042</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>#DIV/0!</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>#DIV/0!</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>1 473</b>	<b>(150)</b>	<b>1 323</b>	<b>-</b>	<b>-</b>	<b>1 323</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	<b>29 009</b>	<b>(1 643)</b>	<b>27 365</b>	<b>-</b>	<b>-</b>	<b>27 365</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Nama Khoi Municipality - Reconciliation of Table A7 Budgeted Cash Flows**

Description  R thousand	2019/20							2018/19
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates, peanalties and collection charges	43 470	(2 396)	41 074	37 228	3 846	90.6%	85.6%	43 089
Service charges	141 106	14 872	155 978	120 994	34 984	77.6%	85.7%	113 114
Other revenue	4 304	2 095	6 399	21 901	(15 502)	342.2%	508.8%	5 507
Government - operating	59 487	1 026	60 513	75 844	(15 331)	125.3%	127.5%	47 250
Government - capital	24 057	3 479	27 536	–	27 536	0.0%	0.0%	31 285
Interest	5 102	(3 786)	1 315	2 008	(692)	152.6%	39.4%	1 778
Dividends	–	–	–	–	–	0.0%	0.0%	–
<b>Payments</b>								
Suppliers and employees	(250 927)	677	(250 250)	(218 008)	(32 243)	87.1%	86.9%	(185 026)
Finance charges	(2 238)	(319)	(2 557)	(13 226)	10 669	517.2%	591.0%	(12 649)
Transfers and Grants	–	–	–	–	–	0.0%	0.0%	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>24 362</b>	<b>15 646</b>	<b>40 008</b>	<b>26 741</b>	<b>13 267</b>	<b>66.8%</b>	<b>109.8%</b>	<b>44 348</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	–	–	–	–	–	0.0%	0.0%	–
Decrease (Increase) in non-current debtors	–	–	–	–	–	0.0%	0.0%	–
Decrease (increase) other non-current receivables	–	–	–	–	–	0.0%	0.0%	–
Decrease (increase) in non-current investments	–	–	–	–	–	0.0%	0.0%	–
<b>Payments</b>								
Capital assets	(29 009)	1 643	(27 365)	(10 127)	(17 239)	37.0%	34.9%	(39 869)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(29 009)</b>	<b>1 643</b>	<b>(27 365)</b>	<b>(10 127)</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(39 869)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	–	–	–	–	–	0.0%	0.0%	12 123
Increase (decrease) in consumer deposits	88	–	88	125	(37)	142.6%	142.6%	168
<b>Payments</b>								
Repayment of borrowing	(4 612)	4 612	–	(3 643)	3 643	0.0%	79.0%	(933)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(4 524)</b>	<b>4 612</b>	<b>88</b>	<b>(3 518)</b>	<b>3 606</b>	<b>-4016.1%</b>	<b>77.8%</b>	<b>11 359</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(9 171)</b>	<b>21 901</b>	<b>12 730</b>	<b>13 096</b>				<b>15 838</b>
Cash/cash equivalents at the year begin:	12 615	(18 282)	(5 667)	29 492				13 654
Cash/cash equivalents at the year end:	3 444	3 619	7 063	42 588	(35 524)	603.0%	1236.6%	29 492